EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,385
© THE FINANCIAL TIMES LIMITED 1991

Thursday February 21 1991

D 8523A

Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.980	Israel	Shk4.00	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.30
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

CALIFORNIA
The dry state
Page 6

World News

US proposes cutting its dependency on oil imports

Far-reaching proposals to increase US domestic energy production, in order to reduce dependence on imported oil, were proposed by the Bush administration. Page 14

Statue toppled

Police fired warning shots as a jubilant pro-democracy crowd toppled the giant bronze statue of Communist Albania's founder, Enver Hoxha, that had long dominated the heart of Tirana. Page 4

HK airport delay

Hong Kong is about to abandon plans to open a new international airport just before the territory returns to Chinese sovereignty in 1997. The airport may be opened a year later instead. Page 3

Shipworkers protest

Tens of thousands of angry workers demonstrated in a dozen towns against the threatened closure of east German shipyards. More than 20,000 marched through the Baltic port of Rostock.

Tejero stays in jail

A Spanish judge ruled that Antonio Tejero, the former colonel who fired shots in parliament and held deputies at gunpoint in a 1981 coup attempt, must stay in jail.

Apartheid apology

A South African government minister apologised for 40 years of racial discrimination. Deputy foreign minister Leon Wessels said: "Apartheid was a terrible mistake that blighted our land."

IRA murder charges

Four alleged Irish Republican Army guerrillas went on trial in Roermond, Netherlands, amid tight security, charged with murdering two Australian tourists mistaken for British soldiers.

De Maizière cleared

Chancellor Helmut Kohl's Christian Democrats said that former East German prime minister Lothar de Maizière had been cleared of allegations of spying.

Yeltsin accused

Conservatives in the Soviet parliament accused Russian Federation president Boris Yeltsin of declaring civil war with his appeal to Mikhail Gorbachev to resign. Page 4

Policewoman shot

A French policewoman was shot dead while sitting in a patrol car, the first fatal shooting of a woman officer since they were admitted to the Paris police force in 1975.

Row over king

The Greek Justice Ministry ordered an inquiry into shipment of nine containers of goods from former King Constantine's summer palace to Britain. The incident has caused a public row.

Cholera toll mounts

The death toll from the cholera outbreak spreading across Peru rose to 115. Health officials expect the epidemic to continue for two months.

Georgian ultimatum

The Supreme Soviet gave Georgian lawmakers three days to end a separatist conflict within the republic or face a state of emergency. Page 4

Indian clash kills 15

At least 15 people were shot dead when supporters of a radical Indian political party clashed with a private army hired by rich landlords in eastern Bihar.

Yachtsman safe

Veteran South African sailor Bertie Reed rescued fellow countryman John Martin, overall leader in the single-handed round-the-world yacht race, from his sinking maxi-racer in a gale off Cape Horn.

Business Summary

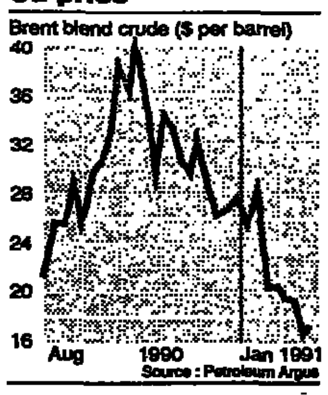
US recession 'will be less severe than previous ones'

US recession is likely to be "shorter and shallower" than most previous post-war downturns, said US Federal Reserve chairman Alan Greenspan.

He expressed cautious optimism that substantial recent cuts in interest rates would revive US economic growth later this year. Page 14

OIL: crude price recovered by 50 cents with North Sea Brent crude for April delivery trading at $17.30 a barrel as the market took its direction from the news about the progress of the Soviet peace proposals.

Oil price



The fall is worrying the Organisation of Petroleum Exporting Countries which is to meet to try to stem it. Page 2

MARKETS: New York; Interest rate fears sparked a sustained morning sell-off and by 1.30pm the Dow Jones Industrial Average was 28.96 lower at 2,903.22. Tokyo: Nikkei average closed with a small gain of 31.81 at 26,198.79. Paris: CAC 40 index down 7.86 to 1,693.07. Frankfurt: the DAX closed 19.81 lower at 1,567.32. Back Page Section II

EUROPEAN Commission paved the way for life insurers to sell services and establish branches in all EC countries. Page 14

OLYMPIA & York, real estate developer, is to receive C$420m ($365m) in dividends from a subsidiary which sold its stake in UK food and drinks group Allied-Lyons. Page 18

SKOPBANK, commercial and central bank for Finland's 150 savings banks, said consolidated profit fell in 1990 by 17.7 per cent. Page 16

GEEST, fresh produce group, wants to buy Del Monte Tropical Fruit if Polly Peck International's administrators offer it for sale. Page 16

LLOYDS Abbey Life, life assurance and financial services arm of Lloyds Bank, reported pre-tax profits of £318.9m ($631.4m) and exceeded optimistic forecasts.
Page 16. Lex, Page 14

ROYAL Dutch/Shell, Anglo-Dutch oil group, showed a drop of 16 per cent in its earnings for the full year to £3.01bn ($5.95bn) from £3.58bn. in 1989. Page 15. Lex, Page 14

RHONE-Poulenc, French state chemicals group, saw profits fall by two thirds last year as the declining dollar cut earnings from North American subsidiaries. Page 15

SOVIET government agreed emergency measures to pump Rbs25bn of extra investment into its ailing oil industry this year. Commodities, Page 24

UNITED Technologies, diversified engineering group, said its Pratt & Whitney aero-engine business expects to cut up to 1,500 jobs.
Page 18

NORDBANKEN, Sweden's second largest commercial bank group, reported a pre-tax profit of SKr1m ($180m) for 1990, down from SKr3.2bn. Page 15

FANUC, Japanese machine tool equipment maker, dropped plans to take a 40 per cent stake in Moore Special Tool, US precision tool company, following pressure from US Congress members. Page 7

Soviet diplomats cautious about chances for peace initiative

Allies intensify attacks

By **Victor Mallet** in Riyadh, **Peter Riddell** in Washington, **John Lloyd** in Moscow and **Robert Graham** in London

ALLIED probing attacks in preparation for a full-scale ground offensive to liberate Kuwait intensified yesterday as Iraq continued to adopt an ambiguous stance towards tough Soviet proposals to achieve a withdrawal.

The door for diplomacy was kept ajar as both sides in the Gulf conflict weighed the momentous consequences of an allied land battle. But Soviet diplomats appeared increasingly cautious about the chances of success for their initiative.

Mr Tariq Aziz, Iraqi foreign minister, handed the Soviet proposals to President Saddam Hussein late on Tuesday after returning from Moscow via Tehran. Despite being pressed both by the Soviets and by the US for a rapid response, it was still unclear if and when Mr Aziz would return to Moscow.

The increasing tempo of fighting on the ground was highlighted when four US helicopters forced some 500 Iraqi troops to surrender during a raid on a network of Iraqi bunkers north of the Saudi border.

Allied forces also continued their air attacks on targets in Iraq and Kuwait and started to hit front-line Iraqi positions with artillery in preparation for a possible offensive – although one British officer yesterday described the artillery raids as "pinpricks" compared to the barrage that could signal a full-scale assault.

"The border is broadening," said a US officer yesterday when asked if allied ground forces were crossing the frontier.

Bomb toll: An Iraqi street seller in the centre of Baghdad sits amid the aftermath of allied air raids

Two Apache and two OH-58 helicopters destroyed between 13 and 15 Iraqi bunkers, and hundreds of Iraqis gave themselves up in what Brig-Gen Richard Neal, the deputy director of US Central Command, called "an unexpected surprise". Chinook transport helicopters were sent into Kuwaiti territory to ferry the prisoners to Saudi Arabia.

Allied commanders were quick to interpret the surrender of such a large number of troops as a further sign of crumbling morale after more than a month of sustained aerial bombardment.

The sagging morale of Iraqi troops has also been increasingly evident far away from battle zones with Turkish authorities reporting that more than 500 crossed the Iraqi-Turkish border in the past week making a total of 773 since the August invasion of Kuwait.

The cross-border engagement was one of several aggressive operations by the multinational alliance designed to show Mr Saddam he could expect no breathing space until he began an unconditional withdrawal from Kuwait.

The hard line was reflected

Continued on Page 14
Gulf reports, Page 2

Baghdad braced for allied ground assault

By **Lamis Andoni** in Baghdad

IRAQ'S leadership was last night bracing itself for a ground assault by the allied forces at any moment, while still considering its response to the Soviet initiative aimed at ending the Gulf war.

Over the past 48 hours, the Iraqi press and radio have been systematically preparing the population for the land war. Newspaper editorials and radio commentaries were clearly aimed at boosting the morale of the people and preparing them for "big sacrifices".

"We are awaiting the grand battle that President George Bush and his allies have been threatening us with. They will discover that a big shock is awaiting them that will shatter their dreams and goals", one newspaper said. It was not clear if the newspaper was hinting at the possible use of chemical weapons or whether it reflected confidence in the army's ability to beat off an offensive.

Despite the warnings of the media, an Arab diplomat said yesteday that the door had not been closed on a political solution. Analysts in Baghdad did not expect the Iraqis to reject the Soviet initiative outright, unless the allies launched the ground offensive before Baghdad had made its response to Moscow.

They believed the Iraqi response would be cautiously positive. Baghdad, they said, might attach observations and reservations to the Soviet initiative to ensure that its interests were being taken into consideration. Other analysts, however, said Baghdad could not be expected to accept any proposals that excluded the main principles contained in last Friday's offer of a conditional withdrawal from Kuwait.

They added that the Soviet proposal would be taken more seriously in Baghdad if Moscow succeeded in establishing some linkage, at least in principle, between the Gulf crisis and the Palestinian problem and also addressed Iraq's economic situation and its security concerns in Kuwait.

Diplomats say that Iraq will not take the risk of pinning all its hopes on the Soviet initiative. They added that since the war started, Baghdad had learned the bitter lesson that it must first and foremost depend on its own capabilities.

The Iraqis have been heartened by the positive reaction of some European countries to the Soviet initiative. They continue to hope that the Soviet initiative will break the US-led alliance but remain sceptical that the European governments will be ready to split the coalition and take a line independent from Washington. At the same time, they do not want to be seen as the party which undermined efforts to end the fighting.

Meanwhile the press and radio stressed that the expected the land battles would be decisive and costly. "We are approaching the great duel, the mother of all battles", the newspaper Jumahouriah said.

In its main political commentary Radio Baghdad also called on the Iraqis to prepare themselves for the big battle. "This will be the chance for the free people in the world to end the hegemony of the imperialists and the capitalists", it said, invoking the revolutionary rhetoric of the ruling Ba'ath party in the 1970s.

Meanwhile in the Amariyah district of Baghdad where allied missiles hit a shelter last week killing hundreds of civilians, victims' families vowed to avenge the deaths.

SAS approached by TEA over partnership bid for Sabena

By **John Burton** in Stockholm and **Paul Betts** in London

SCANDINAVIAN Airlines System (SAS) has been approached by Trans European Airways (TEA), the Belgian charter airline group, to make a joint bid for Sabena, the troubled Belgian state-controlled flag carrier.

The move is aimed at countering rival proposals by British Airways and American Airlines to establish close partnership ties with Sabena.

Mr Jan Carlzon, the SAS president, said yesterday that TEA, which wants to become a scheduled carrier, had proposed that SAS support a bid for 51 per cent of the voting rights and 45 per cent of the equity in Sabena through an investment company, TEA Invest. SAS would have a 25 per cent stake in the new investment company.

Mr Pierre Godfroid, Sabena's new chairman, indicated last week that the Belgian carrier and BA had revived their attempt to form a strategic alliance to create a new European airline hub in Brussels.

Both BA and Sabena said that no firm agreement between the two airlines was likely to be reached soon, although Mr Godfroid said he was negotiating " a very concrete proposal" for a strategic link with BA. But Mr Carlzon said yesterday that some political opposition had recently emerged over a proposal to link BA to a restructuring of the financially ailing Belgian flag carrier.

However, he emphasised it was still too early to say how SAS would respond to the TEA proposal.

Although SAS held collaboration talks with Sabena in 1987, a few months ago Mr Carlzon ruled out making an attempt to rescue the Belgian airline because of falling profits and mounting interest costs at SAS.

SAS, which recently announced a SKr3bn ($539m) cost-cutting programme, has been searching for an airline partner to give it access to a hub airport in central Europe.

Sabena is proposing a BFr32bn ($1.07bn) restructuring programme backed by the Belgian government.

Its plan to form a new joint venture airline with BA and KLM Royal Dutch Airlines collapsed at the beginning of this year because of Sabena's financial problems, its restructuring programme and growing reluctance on the part of BA to invest in a Sabena subsidiary.

The original deal involved BA and KLM investing in 20 per cent stakes each in the new joint venture airline.

BA and KLM have both continued to show interest in forging an alliance with Sabena. Mr Godfroid also confirmed last week he was still in negotiations with American Airlines.

Although BA still appears to be Sabena's preferred partner for any eventual strategic partnership, BA is now deep in its own restructuring programme.

- **The EC approved measures to help airlines bear the extra costs caused by the Gulf war. Page 14**
- **Air France, the French state-owned airline, is to receive FFr2bn ($396m) in fresh capital. Page 4**

EC accepts formula for negotiating farm trade reforms

By **William Dullforce** in Geneva

A BREAKTHROUGH clearing the way for a resumption of international trade talks came yesterday when the European Community accepted a formula for negotiating the reform of world farm trade.

Mr Rufus Yerxa, deputy US trade representative, described the ending of the impasse over agriculture as a very significant development.

Although a deal over farm reform was still a long way off, the US would no longer block continuation of the four-year exercise in trade liberalisation under the General Agreement on Tariffs and Trade (Gatt), he said.

After the breakdown of Gatt's Uruguay Round at the world trade ministers' meeting in Brussels in December, Mrs Carla Hills, US trade representative, said the US would not return to the negotiating table until it had received a clear signal that the EC was willing to negotiate a deal on farm reform.

US officials said later that a resumption of the round with some promise of progress was necessary for US president George Bush to seek before the March 1 deadline and extension of his "fast-track" negotiating authority from the US Congress. With the US unable to negotiate, the trade talks would run into the sand.

Mr Yerxa said that the president still had to decide whether to ask for an extension, but yesterday's development augured well for the request being granted by Congress, should he go ahead.

The breakthrough came when Mr Arthur Dunkel, Gatt's director-general, announced that participants in the talks on reductions in farm subsidies had agreed to achieve "specific binding commitments" in each of three areas – domestic supports, market access and export competition.

EC agreement to this objective had been insisted on by the US and the Cairns Group of 14 farm-exporting nations led by Australia during the consultations that Mr Dunkel had been conducting over the past 10 weeks.

Technical work on the reductions in farm subsidies would begin immediately, Mr Dunkel said. Governments were committed to address outstanding points at senior policy-making level.

Continued on Page 14

CONTENTS

British government searches for an honourable retreat

Margaret Thatcher called it her flagship. A senior member of the cabinet refers to it as an act of "fiscal vandalism". Prime minister John Major is preparing its demise. Poll tax has proved an expensive mistake.
Page 12

MARKETS

STERLING
New York lunchtime:
$1.9475
London:
$1.9475 (1.952)
DM2.915 (2.9125)
FFr9.8925 (9.92)
SFr2.4925 (2.4975)
Y256.5 (256.75)
£ index 94.2 (same)

GOLD
New York: Comex Apr $366.1
London:
$364.125 (362.25)

N SEA OIL (Argus)
Brent 15-day Apr
$17.45 (+0.70)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.49725
FFr5.0905
SFr1.28
Y131.75
London:
DM1.497 (1.4925)
FFr5.08 (5.0825)
SFr1.2805 (1.28)
Y131.75 (131.5)
$ index 80.7 (80.5)
Tokyo close: Y131.33

US lunchtime rates
Fed Funds 7¼%
3-mo Treasury Bills:
yield: 6.083%
Long Bond:
98 15/32
yield: 8.005%

STOCK INDICES
FT-SE 100:
2,296.8 (-15.6)
FT Ordinary:
1,826.2 (-12.3)
FT-A All-Share:
1,108.34 (-0.6%)
New York lunchtime:
DJ Ind. Av.
2,900.74 (-31.44)
S&P Comp
365.74 (-3.65)
Tokyo: Nikkei
26,198.79 (+31.81)

LONDON MONEY
3-month interbank:
closing 13-12 7/8% (13)
Liffe long gilt future:
92 31/32 (93 11/32)

Post-war Iraq 'will remain a threat'

By David White, Defence Correspondent

IRAQ will still have the military power to strike at its smaller neighbours after the war, a former British commander in the Gulf warned yesterday.

"Iraq may be the only Moslem nation possessing real offensive capability," Air Vice Marshal Sandy Wilson, who commanded UK forces in the region following Iraq's invasion of Kuwait, told a seminar in London.

Even in the event of an unconditional surrender, Iraq would still retain outside Kuwait an army of 500,000 men with 2,000 tanks, 1,200 artillery guns and 4,500 armoured troop carriers, he said.

This is supposing that the Iraqis in Kuwait were forced to leave behind the remainder of their equipment, which was reckoned by now to have been 35 per cent destroyed.

Although Iraq's navy was reduced to a few patrol boats, the country would continue to possess a large and capable army and a "fairly potent and balanced" air force, including the "air force in waiting" now in neighbouring Iran.

It could be expected to retain some Scud missiles and chemical munitions.

Iraq's residual strength meant that an "adequate shield", probably including Egyptian and Syrian troops, would be needed to protect other Gulf states. Just how much was needed would depend on whether Iraqi troops were allowed to take their equipment with them from Kuwait.

Air Marshal Wilson, speaking at a seminar organised by the Royal United Services Institute, King's College London and and London School of Economics, said western ground forces should move out "as fast as they reasonably can."

But in addition to Arab forces, some US fighter aircraft might need to stay, the UK might send occasional RAF detachments and the US might keep one or two aircraft carrier groups in the region.

Following an Iraqi pullout, the US and Britain would also be required to maintain mine-clearance operations in the Gulf, he said. Sanctions against Iraq would be kept up in the short-term.

Among Iraq's neighbours, Iran had very limited offensive capability, although this was more than the smaller Gulf states and could be strengthened. Syria had well-equipped and trained troops – and Scud missiles – but its forces were predominantly defensive. Turkey was not well equipped for a large-scale offensive.

Bombs blast four embassies

BOMBS exploded at several western embassies in Tehran yesterday causing damage but no casualties, the Italian foreign ministry said, Reuter reports from Rome.

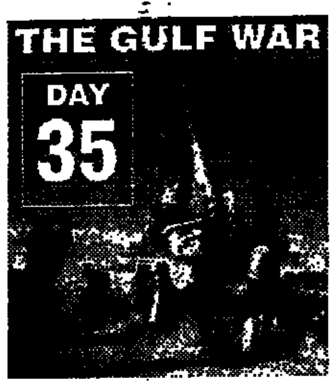
The bomb at the Italian embassy was thrown from the street and exploded on the roof. It broke a few windows.

The Italian news agency ANSA said bombs also exploded at the embassies of Britain, Turkey and Germany.

Four bombs exploded in the British embassy, causing some damage. The bombings were all carried out within a few minutes of each other.

Hurd urges Moscow to amend peace plan

By Robert Mauthner in London and Ian Davidson in Paris



BRITAIN said yesterday that it had suggested to the Soviet Union how its peace plan could be amended "to meet the requirements of United Nations Security Council resolutions". In its present form the proposals were unacceptable.

Britain's "thoughts" were conveyed by Mr Douglas Hurd, the foreign secretary, to Mr Leonid Zamyatin, Soviet ambassador to London.

Officials remained tight-lipped about details of the plan and reactions to it. Moscow specifically asked the British and other governments of the anti-Iraq coalition it consulted to keep the proposals secret.

But it is understood that one aspect to which both the US and Britain have objected is the reported absence of a precise timetable for withdrawal.

The Foreign Office was at pains to make clear yesterday it was not adopting an entirely negative attitude to Moscow's proposals. "This is not the last word. We want it (the peace effort) to work," the official added. Though any suggestion that a rift is beginning to appear in the hitherto solid Anglo-American front is strongly denied in Whitehall, diplomatic observers have detected a marginally more positive attitude in London than in Washington.

Meanwhile, France yesterday publicly warned Iraq that it had barely a few hours to avert the start of a land offensive in the Gulf, and that it could only prevent an allied attack by a rapid withdrawal.

The French warning followed intensive diplomatic contacts overnight, including telephone conversations between President François Mitterrand and US President George Bush and British Prime Minister John Major. It strongly confirmed the French government's determination to insist on an unconditional Iraqi withdrawal and to reject any negotiations on terms.

The impression that time is fast running out was indirectly confirmed later yesterday, when the French senate foreign affairs committee heard testimony by Mr Roland Dumas, the foreign minister. After the hearing, Senator Jean Lecanuet said that the allies had agreed to give the Iraqi President no more than 24 hours for a reply.

However, even though the French government is determined to avoid any negotiations in advance of withdrawal, it clearly intends to stick to its long-standing proposal that withdrawal should be followed by multilateral negotiations on a Middle East peace settlement.

An Iraqi woman cries over her child wounded in the bombing of Baghdad

Hawkish Arabs in no mood to allow Saddam to survive

By Victor Mallet in Riyadh

THE fiery anti-Saddam rhetoric yesterday of Sheikh Mohammed Sayed Tantawi, the mufti of Egypt, was utterly in keeping with the unforgiving official mood in Saudi Arabia and its neighbours.

The ousted rulers of Kuwait and the governments of Saudi Arabia and the other Gulf states are increasingly hawkish towards Iraq as a possible allied ground offensive to liberate Kuwait approaches.

They are openly calling for the overthrow of President Saddam Hussein, insisting on war reparations, and expressing their mistrust of compromise peace proposals from Iran and the Soviet Union.

"The people who spread corruption on earth should be executed, crucified, have their limbs cut off or at least be exiled," he announced after a jihad (holy war) convention in Riyadh. "And it's clear that Saddam Hussein is the man who has spread most corruption on the face of the earth."

Not all the statements from the Gulf state governments can be dismissed as opening bids as the bargaining begins. On the one hand they scent an imminent allied victory over the weakened Iraqi army and want the maximum reward from their heavy political and financial commitment to the war; on the other, they fear that Mr Saddam would continue to threaten their borders if he was allowed to extricate his forces from Kuwait under some kind of peace agreement which left his regime intact.

The Kuwaitis in particular – who say that the Iraqis have killed at least 2,000 people during their occupation and seized 10,000 as hostages – have extended their demands far beyond those of the United Nations.

"This region cannot live peacefully with this man (Saddam) in power," said Mr Badr al-Yacoub, the Kuwaiti information minister, in a newspaper interview published yesterday. "There is no guarantee that he will not try again to attack his neighbours."

Sheikh Sabah al-Ahmad al-Sabah, the Kuwaiti foreign minister, was even more forthright.

"Kuwait would never conduct any negotiations with Iraq either with the current Iraqi government or any new leadership in Baghdad after the withdrawal of Iraqi troops from Kuwait," he told the United Arab Emirates newspaper al-Ittihad. His comments directly contradict UN Resolution 660 – the first post-invasion measure calling for an Iraqi withdrawal and talks between the two sides.

King Fahd has also taken an increasingly hard line against his former ally Mr Saddam, calling for the withdrawal of Iraqi troops from near the Saudi border as well as from Kuwait itself.

"He destroyed the oil wells and spoiled everything that was there in Kuwait and harmed the Kingdom of Saudi Arabia and incurred debts to it," the king told the jihad convention on Tuesday. "Demands will be made on Saddam Hussein for all these."

Thyssen denies report on Iraqi connection

By David Marsh in Bonn

THYSSEN, the large German steel and engineering group, yesterday published details of a document it signed at the beginning of the 1980s ruling out certain business links with Israel. It released the details at a press conference called to refute a German press article about Thyssen's involvement in Iraq.

Thyssen produced evidence to show it side-stepped a demand by Iraq that it declare a complete boycott of all business dealings with Israel. Anti-Israeli undertakings of this sort are made as a standard feature of contracts between western companies and Arab countries, but details are seldom revealed.

Mr Dieter Vogel, a member of the main Thyssen board and chairman of the company's trading subsidiary Thyssen Handelsunion, denied press allegations that a company in the Thyssen group had delivered equipment for an alleged poison gas laboratory south of Baghdad. The allegations were made in Stern magazine.

Thyssen says that in 1981-82 it supplied equipment for the laboratory's central heating, fire protection, energy supply and telephone system, but did not deliver materials for the laboratory itself.

The company said yesterday that it would sue Bertelsmann, the media group which owns Gruner und Jahr, Stern's parent company.

Opec tries to stem price collapse

By Deborah Hargreaves

THE fall in oil prices and the prospect of a price plunge after the war is worrying the Organisation of Petroleum Exporting Countries.

Small Opec producers are expected to meet in Vienna on Monday for talks about halting the price fall. Members of the 13-producer cartel have been demurring for days about whether to hold an informal gathering to debate the sliding oil price.

While Gulf producers are still opposed to discussions before a scheduled Opec meeting on March 11, ministers from Venezuela, Nigeria, Algeria and Indonesia are likely to meet in Vienna next week.

Opec's Vienna office this week denied that a meeting would take place, but individual delegates said they were still planning to go.

The crude oil price recovered by 70 cents yesterday with North Sea Brent crude for April delivery trading at $17.45 a barrel as the market took its direction from the news about the progress of the Soviet peace proposals.

Many Opec producers are concerned about the drop in revenues implied by a lower oil price, but the organisation's Gulf states hold the key to reining back production and they do not want to discuss it until the war is over.

The four producers due to hold talks on Monday have a 38 per cent of Opec production and it is unlikely that they could do much to affect prices. Venezuela has increased its market share from 3 per cent to 11 per cent since Opec suspended output quotas when the Gulf crisis began and it is unlikely to want to cut back.

Saudi Arabia, which has almost doubled production from 4.5m b/d to 8.5m b/d is the only producer that can have any real affect on oil prices.

Israel anxious over Soviet Mideast ambitions

By Hugh Carnegy in Jerusalem

MOSCOW'S peace efforts have refocussed Israeli concerns about Soviet ambitions in the Middle East and the finely-balanced relations between the two countries.

The immediate anxiety in Israel was that President Gorbachev's peace plan would allow President Saddam Hussein to extricate Iraq from the war with his regime intact and enough surviving military power to remain a threat to Israel. Hence the satisfaction when the US said the Soviet plan did not go far enough.

An equally important worry, however, was that President Gorbachev, under pressure from conservative forces in Moscow, was seeking to reassert Soviet influence in the region.

So far, Israel has benefited greatly from President Gorbachev's reforms. Bilateral relations, while not back to full diplomatic ties, have been largely restored after years of fracture after Moscow cut diplomatic links following the 1967 Six Day War.

Israel has watched with deep satisfaction the erosion of traditional Soviet military and economic support for its Arab foes – principally Syria and Iraq – as Moscow's ability to project its power in the Middle East declined and confrontation with the US, Israel's guardian ally, was replaced by co-operation. At the same time, Moscow has made clear any peace settlement would have to satisfy Israel's interests.

Above all, liberalisation by Moscow has allowed hundreds of thousands of Soviet Jews to emigrate. Their move to Israel may pose deep domestic economic difficulties, but it is a demographic godsend which will strengthen the country against its Arab neighbours.

Israeli concerns about Soviet policy were not entirely eclipsed. First, the dilution of superpower rivalry in the Middle East removed one of the pillars of Israel's strategic relationship with the US – namely as a bulwark against a perceived Soviet threat.

Also, there were worries that in the post-Cold War era, the US and the Soviet Union might co-operate on Middle East issues in a way unfavourable to Israel.

In particular, there was alarm at signs that Washington, frustrated by Israel's refusal to yield the occupied territories to the Palestinians, might move towards long-standing Soviet support for an international conference on the Arab-Israeli conflict after the Gulf war. The Soviet Union has not abandoned its support for the Palestine Liberation Organisation and an independent Palestinian state.

A joint statement last month by Mr James Baker, the US secretary of state, and Mr Alexandr Bessmertnykh, the Soviet foreign minister, that the two countries would work closely together on Middle East policy after the war was met with alarm in Israel.

This week, Mr Yitzhak Shamir, the hardline Israeli prime minister, reportedly told visiting US congressmen that internal uncertainty in the Soviet Union led him to doubt that Arab-Israeli peace talks should take place under joint superpower auspices, something he had previously signalled a willingness to accept.

Prof Ya'acov Roi, a Soviet policy specialist at Tel Aviv University, said the Soviet Union was unable to return to its old role of providing arms and aid to Syria, Iraq and other hostile Arab states.

But he did believe Israel had cause for concern over what he saw as a clear effort by Moscow to recoup its influence in the region.

● Israel had to do more than adopt a "sit and do nothing" attitude towards the postwar Middle East, Mr David Levy, the Israeli foreign minister, said yesterday in an apparent attack on Mr Yitzhak Shamir, the prime minister for his failure to address the issue of post-war peace talks before the conflict was over.

It was the government's duty to try to influence processes under way to construct a new order in the region after the war. "A complacent policy of 'sit and do nothing' is a recipe for political damage ... then all that is left for Israel to do is to react to formulated initiatives and be labelled obstinate."

Mr Levy has increasingly been at odds with Mr Shamir and Mr Moshe Arens, the defence minister, over his call for initiatives on the Arab-Israeli conflict and the Palestinian issue.

Moscow divide opens on Gulf war

By John Lloyd in Moscow

THE Soviet leadership is beginning to split over the Gulf war – but not enough, most diplomats judge, to put at risk support for United Nations resolutions.

The difference of emphasis between Mr Yevgeny Primakov, Mr Mikhail Gorbachev's adviser and special envoy to Iraq, and Mr Alexander Bessmertnykh, the foreign minister, has widened to the point where, as one diplomatic observer commented, "it is getting more difficult to square the two views".

At the same time, comment from the Party press and from the army remains deeply worried, even hostile, to the continued allied offensive.

In a television interview late on Tuesday, Mr Primakov said that the continuation of the war was "unjustified from any point of view."

He had a "limited optimism" that Iraq was edging closer to an unconditional withdrawal from Kuwait – an impression gained during talks on Monday between Mr Gorbachev and Mr Tariq Aziz, the Iraqi foreign minister.

Pravda, the main Communist Party newspaper, said yesterday the allied air campaign threatened to turn into a devastating and bloody war on the land. And the conservative writer, Mr Vassily Belov, writing in Sovetskaya Rossiya, accused the United Nations of having turned from a peace organisation to a war organisation. He said the war was being fought only 263kms from the Soviet border and asked: "How would the US feel if our troops descended so close to them?"

Senior military figures, have in recent days underscored the threat of a permanent US force in the Middle East, and the conclusion of a Pax Americana in the region which would exclude the Soviet union.

Much comment has focused on the fear that the US and its allies may now go beyond the liberation of Kuwait to the destruction of the Iraqi regime, and the removal of President Saddam Hussein.

The Foreign Ministry, by contrast, is fighting hard to maintain its position of support for the UN resolutions, and constantly assures the world that the peace plan demands the immediate and unconditional evacuation of Kuwait. Mr Bessmertnykh and his spokesmen have repeatedly said that they do not see the response of President Bush to the plan – that it fell "well short of what was required" – as a rejection.

However, Mr Bessmertnykh left Moscow yesterday for Madrid, where he will participate in a special session of the Council of Europe's ministerial committee – a trip which is seen as confirming the Soviet Union's desire to further develop its relations with the European states. Asked why he was leaving Moscow at such a critical time, Mr Vitaly Churkin, the foreign office spokesman, smilingly said that communications were good between Moscow and Madrid, and that it was "not far away".

UN aid appeal for Jordan

UNICEF is to launch an appeal for humanitarian aid for Jordan because of the damaging effect of the war, writes Mark Nicholson in Amman.

Jordan has not required humanitarian aid for more than 20 years. But Ms Hind Khatib, the UN body's programme officer, said yesterday: "The government's social services budgets are being so squeezed they are just doing their best not to fall apart."

According to a recent study by Unicef, the proportion of Jordanians living below the poverty line has risen to 30 per cent from 20 per cent before the Gulf crisis, which means 1m Jordanians are living in relative poverty. The poverty line is defined as living on an income of JD89 (£69) a month.

Businessmen beat a path to Kuwaitis' doors for orders

'UK Inc' is well placed to participate in the country's reconstruction, report **Tony Walker** and **Victor Mallet**

MR Ben Wood of the US Army Corps of Engineers calls as the "biggest reconstruction job in living memory". It will dwarf, for example, recovery efforts following the San Francisco earthquake, Hurricane Hugo and the US invasion of Panama.

Kuwaiti officials estimate that if there is no further damage the reconstruction of their country could cost as much as $52bn (£26.2bn) but they warn that if there is a land battle that figure would become meaningless.

Anxious to re-establish their authority – and emphasise their legitimacy – within their own territory as quickly as possible after Iraqi forces have been ejected, the Kuwait government has already committed more than $1bn in spending on emergency relief.

Not surprisingly, businessmen, including representatives of some of the largest and most powerful international corporations, have been beating a path to the doors of those responsible for overseeing Kuwait's reconstruction effort.

That path takes them to the twenty-second floor of the Oberoi hotel in Dammam on Saudi Arabia's east coast. It is here that Mr Majid al-Shaheen, the head of Kuwait's "Emergency Recovery Programme" is besieged day and night by business "envoys". The Kuwaitis have already signed some 200 contracts, about 70 per cent of which are with US companies, to assist in the first 90-day recovery phase.

Efforts will focus on restoring power, water and electrical systems, and on ensuring adequate supplies of food and medicine for Kuwait's beleaguered residents.

The Kuwaiti authorities say they will be obliged to cater for a population of about 800,000 people, including tens of thousands of Kuwaitis who are expected to flood back. At present the numbers in Kuwait are estimated at less than 500,000, including some 300,000 Kuwaitis (400,000 – 500,000 Kuwaiti nationals are thought to be outside the country). The rest are mostly of Palestinian origin.

Kuwaiti officials say that a first priority will be the re-establishment of law and order. They say that martial law may be necessary while the situation is brought under control, and careful checks are made to establish the bona fides of Kuwaiti residents.

Officials claim that thousands of Iraqis have streamed into the country since the August 2 invasion and some may seek to stay on.

The authorities also face the issue of what to do about the large Palestinian population, some of whom have been accused of siding with the Iraqis. Such is the bitterness between the two communities it is almost certain that many Palestinians will be asked to leave.

BRITAIN has complained to the US about the short notice given to British companies to register for emergency reconstruction work in Kuwait, Mr Peter Lilley, trade and industry secretary, said yesterday, writes Andrew Taylor. British companies on Monday were given just 48 hours to register their interest in bidding for contracts to restore essential services immediately after the war.

The deadline to submit prequalification bids to the Corps of Engineers, part of the US military, had been due to run out at midday yesterday. Mr Lilley said the exiled Kuwaiti government subsequently had been persuaded to extend the deadline by seven hours. Tarmac, the UK construction group, said yesterday it would probably have submitted a prequalification bid but for the short notice.

In the scramble for contracts to help restore services in Kuwait in the first emergency phase, the US Army Corps is playing a pivotal role under an agreement signed in mid-January by the US Defence Department and the Kuwaiti government.

Colonel Ralph Locurcio, head of the specially designated Kuwait Emergency Recovery Office, which has a staff of 70 engaged in reconstruction planning, says that his organisation's initial task will include damage and cost assessments for repairs, procurement of equipment and materials and restoration planning in co-operation with the Kuwaiti government.

The initial emergency phase will be followed by a period of rehabilitation, which will involve more substantial repairs to damaged infrastructure. Then there will be a reconstruction phase in which larger projects are undertaken that might involve the complete rebuilding of shattered facilities.

KERO plans to allocate responsibility for eight separate sectors to eight US consultant engineering companies. They will assess structural damage and carry out immediate repairs but any project costing more than $25,000 must receive Kuwaiti government approval.

While American companies are expected to win the lion's share of the initial contracts, such is the scale of the task that British companies would seem to be well placed.

Mr Christopher Wilton, Britain's commercial counsellor who is helping to oversee the establishment in Saudi Arabia's Eastern Province of an office representing British industry, said: "We're not actually planning to compete with the Americans. What we want to do is to work with them, not against them."

Among representatives of "UK Inc", as Mr Wilton describes the British presence, are Crown Agents, responsible for general supplies and equipment; W.S. Atkins – consultancy services; GEC Alston – power generation, transmission and telecommunications; Biwater – water and sewage; Costain – civil construction; and John Brown Engineering – oil, gas and petrochemicals.

But these companies will be obliged to work with, and perhaps compete against, American giants such as Bechtel Engineering. Kuwait and Bechtel have already signed a letter of intent under which the US company has been proposed as project manager for the rebuilding of the oil sector in a programme which will be divided into four separate geographical areas.

Saudi merchants and contractors are also keen to secure a share of the reconstruction business. One Saudi businessman said his company was among four chosen to participate in a $50m clean-up operation, once Kuwait is liberated.

Mr Abdul Rahman al-Zamil, the Saudi deputy minister of commerce, said Saudi suppliers with access to US and European technology would be able to deliver goods to Kuwait quickly and cheaply.

"Most of the building materials will be provided by the Saudi market," he said. "For the reconstruction programme, Saudi Arabia will play a major role, not based on politics but because of pricing."

There are signs that Kuwait is also seeking to spread business among other Arab members of the anti-Iraq coalition. Cairo newspapers report that Egyptian companies are being awarded contracts for clean-up efforts in the first 90-day recovery phase. Egyptian companies have also won contracts for the supply of medicines.

Businessmen and western commercial attaches report that Kuwaiti officials, while they are anxious to move as quickly as possible to secure goods and services necessary for their country's reconstruction, are also extremely price-sensitive.

Concern about price is not simply restricted to the commercial level. It also surfaces in political discussions. For example, when Mr Douglas Hurd, the UK foreign secretary, introduced British businessmen to Kuwaiti officials in Taif recently, they were quietly reminded that, while Kuwait was immensely grateful to Britain, in the end price would be critical in contracts awarded for reconstruction. As a commercial attache said: "There is always a follow-up remark about prices."

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Warning forced Bechtel out of Iraq chemical project

By **Alan Friedman** in New York

BECHTEL, the California construction group, withdrew from an Iraqi petrochemicals project on the advice of Mr George Shultz, the former US secretary of state, who joined the company's board of directors after leaving the Reagan administration in 1989. Mr Shultz disclosed his role in an interview with the Financial Times.

Bechtel has also revealed, separately, that it was instructed by the government of Iraq to obtain payment for work it did on the petrochemicals project from the Atlanta, Georgia, branch of Banca Nazionale del Lavoro (BNL).

BNL is the Italian bank caught up in the scandal over \$3bn (£1.5bn) of Iraqi loans made in 1988-89 by its Atlanta branch. Indictments of US bank employees and Iraqi officials implicated in the scandal were due to have been announced last week, but they have been delayed after a fresh round of consultations in Washington.

'I said something is going to go very wrong in Iraq and if Bechtel was there it would get blown up'

The disclosures by Bechtel come amid allegations by US chemical weapons experts that Baghdad planned to use intermediate products from the apparently civilian Iraqi project – known as PC2 – for the manufacture of mustard gas.

Mr Shultz, who had served as president of Bechtel before joining the Reagan administration in 1982, said he first learned of Bechtel's work as project manager of the Iraqi petrochemicals complex in 1989 when he "spent a little time at Bechtel's London office and found there was work going on in Iraq".

Mr Shultz said he checked into the PC2 project in 1989 and was given assurances that it had nothing to do with chemical weapons. "But I thought about it a little more and I gave my advice they should get out," said the former secretary of state.

He recalled that at a Bechtel meeting in the Spring of 1990, as work was continuing, "I really hit it very hard and I said something is going to go very wrong in Iraq and blow up and if Bechtel were there it would get blown up too. So I told them to get out."

The revelations by Bechtel, which says it had no knowledge of any plans by Iraq to apply the petrochemical plant's products for military use, mark the first time a US company has provided details of the direct involvement of Iraqi officials in the BNL Atlanta affair.

Western intelligence officials say that a substantial portion of the \$3bn of BNL money was used by Iraq to finance its development of unconventional weapons systems, including the Condor-II ballistic missile project and nuclear and chemical weapons projects.

The Iraqi project was handled by Bechtel Overseas of Hammersmith Road in London, the company's UK affiliate. The Financial Times has obtained a copy of a 1988 telex instruction from the central bank of Iraq to BNL's Atlanta branch, asking that Bechtel's UK subsidiary be paid \$10m.

Mr Tom Flynn, a senior vice-president at Bechtel, said the company never knew there was anything suspect about the \$10m of BNL funds, provided in the form of two letters of credits that were issued in September 1988 and amended three months later.

"We were hired by the government of Iraq to be the project manager for an ethylene plant. Our client, the government of Iraq, told us we would be paid through letters of credit from the BNL Atlanta branch."

The Bechtel official also said that the company received "direct encouragement" for the PC2 project from the US Department of Commerce. A spokeswoman for the Commerce Department said "we were aware of Bechtel's work in Iraq through the US embassy in Baghdad, but our role was a passive one".

Bechtel said there was no suggestion at the time about the final use that Iraq might make of ethylene oxide, a product that has multiple civilian applications, but also has military uses.

Mr Seth Carus, an expert on Iraq's chemical weapons programmes who is a fellow at the Washington Institute for Near East Policy, said the PC2 Iraqi project was intended for several purposes, both military and civilian.

"I think it is very clear, however, that the Iraqis understood what they were doing. It is evident that they wanted to limit their import dependence on chemicals that are used for weapons."

A key feature of the PC2 project was the plan to manufacture ethylene oxide, a precursor chemical that Mr Carus said "is easily converted to thyodiglycol, which is used in one step to make mustard gas".

Mr Shultz, asked about the possible production of mustard gas, said he was not "a technically proficient person" but that "I kept going back and saying these things could be converted pretty easily". Bechtel subsequently followed the advice of Mr Shultz, just months before the invasion of Kuwait.

Bechtel is currently one of several US and UK firms seeking contracts for the eventual reconstruction of Kuwait.

Hong Kong to postpone opening of £5bn airport

By **John Elliott** in Hong Kong

HONG Kong is about to abandon plans to mark the end of British rule with the opening of a new HK\$79bn (£5bn) international airport just before the territory returns to Chinese sovereignty on July 1, 1997. The airport may be opened a year later instead.

The decision forms part of a plan, to be presented in Peking today by Hong Kong government officials, to win China's backing by cutting the cost of the airport.

The airport plans have become the subject of a big diplomatic row in recent months which has demonstrated how China can influence events in Hong Kong, despite pledges that the colony will enjoy a "high degree of autonomy" after 1997.

Hong Kong needs China's blessing for the airport in order to attract international financial participation.

Four options are being put forward at today's talks. They vary from carrying out the full project along lines announced by Hong Kong late in 1989 as part of a HK\$127bn port and airport development scheme, to a severely scaled down plan which Hong Kong opposes.

A compromise, which Hong Kong hopes to persuade China to accept, involves the one-year postponement of the opening to avoid excessive construction costs, delaying completion of a rail link, and deferring until about 1995 a decision on whether to build a second runway.

Most of this phasing had been under consideration before China raised objections last year about the scale of the project, but it is now being presented in Peking as a new package. The 1998 opening, however, is a significant diplomatic concession which is also justified on economic and engineering grounds.

The least favoured option, which Hong Kong would be reluctant to implement, would involve immediately cancelling the second runway and the rail link, and abandoning a large-scale land reclamation and property development off the west Kowloon area of the colony which would carry approach roads.

Sir David Wilson, Hong Kong's governor, yesterday said he was against "scaling down" because it would lead to an "airport on the cheap" which would be no better than the colony's badly congested Kai Tak airport. But he said the project could be "phased".

Speaking at a rare press conference, Sir David acknowledged the need both to inform China more about developments in the colony and to "take into account views that seem important and relevant". This contrasts sharply with Hong Kong's earlier refusal to consult fully with China on the airport and other affairs.

Indian budget falls victim to politics

By **David Housego** in New Delhi

THE Indian government yesterday decided to postpone the presentation of next year's budget which had been expected to bring in sharp cuts in expenditure and substantial tax increases.

The decision to postpone the unveiling, which was due to take place on February 28, was taken only a few hours before the House reconvenes today for the annual budget session.

The Indian prime minister, Mr Chandra Shekhar, took the step under pressure from Mr Rajiv Gandhi's Congress party which feared that a harsh budget could damage its electoral chances in state elections now expected to be held in the southern state of Tamil Nadu in March.

Mr Gandhi came in for strong criticism yesterday from diplomats and officials for what is seen as irresponsibily adding to the problems of the economy for short-term electoral gain.

The fear is that if much needed deficit cutting measures are postponed now in advance of a state election, they will be further postponed if a general election seems in the offing.

Mr Yashwant Sinha, the finance minister, was said to have bitterly opposed the postponement and threatened his resignation.

Mr Sinha had argued in cabinet for measures that would cut the budget deficit in fiscal 1991-92 to 6.5 per cent of GDP, from an expected 8.3 per cent this year.

Senior government officials also expressed dismay.

They feared that the postponement would seriously undermine current negotiations with the IMF over a \$2bn (£1bn) standby credit that was pinned to the budget incorporating a credible stabilisation package.

An IMF team was due here late next month after the budget had been passed. In place of the budget, parliament will be asked to approve a "vote on account" enabling the government to maintain expenditures without raising new taxes. No date was set for a new budget session.

Congress leader Rajiv Gandhi put pressure on Prime Minister Chandra Shekhar to postpone

On the success of the IMF negotiations hinged further borrowing from the bilateral donor nations and the commercial markets which India needs to finance imports and meet interest payments on foreign debt.

India's foreign exchange reserves had slumped to Rs15.7bn (£42.5m), or the equivalent of about about two weeks of imports, in mid- January when the country was close to technical default.

The reserves have since been boosted by an initial \$1.8bn borrowing from the IMF to about six weeks of import cover as of January 25.

But without fresh inflows of capital these will soon be depleted.

Even if the budget had gone through and negotiations begun with the IMF for a second \$2bn loan, India would still have needed bridging finance until the fresh IMF money had been added to the reserves in three or four months. This must now be in doubt.

One senior diplomat said yesterday: "I do not know how they will manage."

The postponement of the budget is part of complicated political manoeuvring intended to keep Mr Chandra Shekhar in power and assure him the continued support of the Congress party.

With only 54 parliamentary party members in a Lower House of 545, Mr Chandra Shekhar depends for his survival on continued Congress backing.

As part of the growing price of his support, Mr Gandhi first demanded that the prime minister dismiss the DMK (Tamil regional) government in Tamil Nadu.

He then pressed for a halt to the refuelling in India of US military planes on their way to the Gulf – which the government officially conceded on Tuesday. His demand for a postponement of the budget also coincides with feeling within Mr Chandra Shekhar's own Janata (S) party which was hostile to cuts in fertiliser subsidies.

Nervous of Mr Chandra Shekhar's growing prestige, Mr Gandhi had sought in recent weeks to replace him with an administration under his own leadership.

But he has failed to win majority support in parliament. At the same time he cannot afford to pull the rug from under Mr Chandra Shekhar because his party is still fearful of a general election.

Mr Gandhi's belief is that if the Congress party and its allies can do well in the Tamil Nadu state elections in March, then this will boost the party's morale and prepare the way for general elections.

He is thus keen to avoid damaging expenditure cuts and tax increases in advance of the Tamil Nadu election.

Bihar clash leaves death toll of 15

At least 15 people were shot to death yesterday when supporters of a radical political party clashed with a private army hired by landlords in eastern Bihar state, AP reports from New Delhi.

Activists of the Indian Peoples' Front, a left-wing party, fought with members of the Mazdoor Kisan Sangh in Tishkore village in Bihar's Patna district, about 830 kilometres east of New Delhi.

The Mazdoor Kisan Sangh, or Labourers and Farmers Organisation, is a "private army" working for wealthy farm owners. Twenty people were arrested.

● A bomb exploded in a bus near New Delhi yesterday, killing at least nine passengers and injuring 38 others, AP adds from New Delhi.

There was no immediate claim of responsibility for the bombing, which happened near Duhai, 35km east of the capital.

Blast shakes US-run Indonesian oilfield

At least 60 people were hurt when dynamite stores exploded at an Indonesian oilfield run by US company Caltex, Reuter reports from Jakarta.

The US embassy believes the explosion was an industrial accident, but terrorism was not ruled out.

"According to reports I've received, the injuries were not serious," a spokesman for state oil firm Pertamina said.

Of those hurt, 45 were Caltex employees. He did not know if any were foreigners.

The Duri field is the second largest in Indonesia with a production target of 300,000 barrels a day. "As far I know, it (the explosion) has not affected Caltex's production," a spokesman said.

Russian president criticised for demanding Gorbachev's resignation

Yeltsin statement dismays his allies

By John Lloyd in Moscow and Leyla Boulton in Volgograd

SUPPORTERS of Mr Boris Yeltsin, the Russian president, yesterday added a note of dismay and anxiety to the more predictable howl of outrage from hardliners over his call for President Mikhail Gorbachev to resign.

The Supreme Soviet voted by 280 to 31 for a resolution accusing Mr Yeltsin of "violating the constitution" and creating "an extreme situation" in the country with his fierce criticism of Mr Gorbachev in a television broadcast on Tuesday night.

A stream of hardline deputies attacked Mr Yeltsin, led by Mr Anatoly Chekhoyev, a member of the hardline Soyuz, or Union group.

"His statement was tantamount to a declaration of civil war," he said. "When the Soviet Union is disintegrating, the time has come to talk about a state of emergency throughout the country."

Significantly, two leading figures who have been close to Mr Yeltsin also distanced themselves from his remarks.

Mr Nursultan Nazarbayev, president of Kazakhstan – who has been talking to Mr Yeltsin and leaders of the Ukraine and Belorussia on the conclusion of an inter-republican pact – said: "I largely support his criticism of the country's leadership. What I do not support is his appeal to Gorbachev to resign."

General Dmitri Volkogonov, a military historian who is a member of Mr Yeltsin's "brains trust" in the Russian parliament, said his demand was "quite legitimate" but there were further possibilities for compromise between the two men.

"If we start head-on confrontation we shall leave only ashes behind us".

Mr Yeltsin's opponents in the Communist party, the army and the security apparatus have taken the broadcast as a declaration of war on Mr Gorbachev and no compromise between the two leaders now seems possible in the tense period before the referendum on the continuation of the Union on March 17.

The Communist party central committee paper Pravda said that Mr Yeltsin was "using all the means he can muster to achieve his own personal ambitions, which are far from the goals of democracy and perestroika".

Both official comment and interviews with Soviet citizens in the street reveal a growing weariness with the titanic battle between Mr Gorbachev and Mr Yeltsin.

The latter remains far more popular than the Soviet President – though that popularity has slipped somewhat recently – but the timing of his call, coming when some Russian deputies are attempting to remove him from office, and the harshness of his criticism, have both caused scepticism.

In street interviews in the southern city of Volgograd, supporters of Mr Yeltsin were fearful. Mr Efim Shusterman, editor of the Novaya Gazeta, said he would publish Mr Yeltsin's remarks in full but that the call for resignation was "a little premature".

Mr Alexander Tupikin, a pilot, said he thought it was time for both Mr Yeltsin and President Gorbachev to quit. "I'm very dissatisfied. I think Yeltsin should be removed. But Gorbachev has also outlived his purpose – he should go too."

Albanian students pull Hoxha statue down

By Judy Dempsey

ALBANIAN students yesterday pulled down the giant bronze statue of Enver Hoxha in the capital Tirana following a wave of anti-government demonstrations.

The symbolic gesture marks the beginning of the end of the cult of Enver Hoxha, founder of the ruling Albanian (Communist) Party of Labour (APL), who died in 1985.

Yesterday's defiant action is likely to increase pressure on Mr Ramiz Alia, Hoxha's successor, to distance himself from the Stalinist dictator, despite the APL's unswerving loyalty to his name.

Mr Ilir Ikonomi, a reporter for Tirana Radio said the crowd chanted "Hoxha, Hitler", and "Ramiz, you don't know what hunger is".

A western diplomat said the capital was tense. "There are helicopters flying overhead and armoured cars in the streets," he said.

The police tried yesterday to protect the statue and fired warning shots. But according to witnesses, some police fraternised with the students. They added that the sheer weight of numbers forced it to the ground, but apparently no one was hurt.

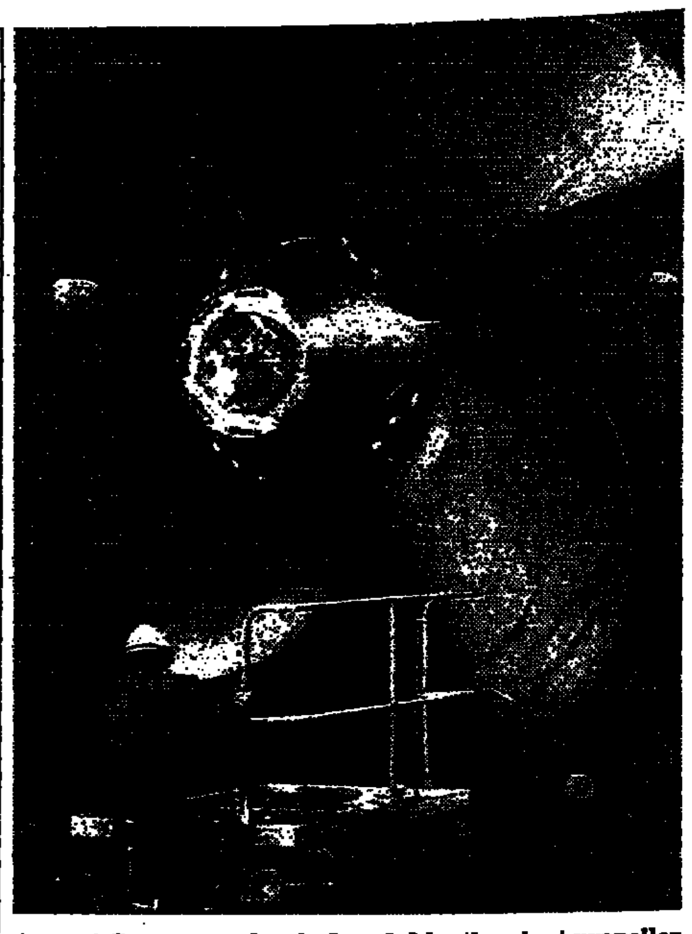
The 30-foot statue was pulled down following days of unrest at the Enver Hoxha University, the country's only university. Two weeks ago, students boycotted all classes there after calling for a change to it's name and more reforms.

On Monday, several hundred of the students stepped up their demands by going on hunger strike after Mr Skender Gjinushi, the education minister and rector of the university, said parliament would discuss the issue only after next month's elections.

Unrest has spread to industry in recent weeks. Miners stopped work last week to demand pay rises and better working conditions. Earlier in the month, hundreds of people stormed the port of Durres following rumours that they would be allowed to leave the country without visas.

Mr Alia has attempted to open up Albania to the outside world after decades of self-imposed isolation. After days of nationwide demonstrations last December, he legalised the independent Democratic Party, paving the way for the free elections which will be held on March 31.

But Mr Alia's ability to keep one step ahead of the opposition, the growing impatience of students and rising expectations of the workers, has been weakened in recent weeks.



An east German worker is dwarfed by the giant propeller of a vessel under construction in Rostock. The ship is near completion and the yard's future is in serious doubt. Hard times are hitting shipbuilding throughout east Germany, prompting strikes and protest marches.

Lothar de Maizière cleared over Stasi allegation

CHANCELLOR Helmut Kohl's Christian Democrats (CDU) said yesterday that Mr Lothar de Maizière, the former East German prime minister, had been cleared of allegations that he had spied for the Stasi secret police, Reuter reports from Bonn.

Mr Volker Rühe, CDU general secretary, said a government investigation, the results of which are expected this week, would clear the way for Mr de Maizière to resume his posts in the party.

The former premier stepped down in December as deputy CDU leader and as a minister without portfolio in the first government of united Germany after press allegations that he had informed the Stasi security police about dissidents and church activists. He denied the charges.

Questionnaire on EC policy drawn up

Mr Jacques Poos, foreign minister of Luxembourg, which holds the EC presidency, has drawn up a questionnaire for fellow foreign ministers as a starting point for discussions about a common EC foreign policy, writes Andrew Hill in Strasbourg.

Mr Poos told the European Parliament yesterday that he would invite answers to seven questions at the meeting of EC foreign ministers scheduled for March 8. His questionnaire begins by asking whether member states support a common foreign policy.

The meeting is likely to discuss the disagreements on security policy which have emerged in the EC since the outbreak of hostilities in the Gulf.

EC-Japan treaty idea approved

European Community foreign ministers have endorsed Tokyo's suggestion that the EC should agree a special charter governing its relationship with Japan, writes David Buchan in Brussels.

It would be similar to the transatlantic charter signed by the Community and the US last November and would be aimed at bolstering the weakest side of the US-EC-Japan power triangle.

Turkish leader to visit Soviet Union

President Turgut Ozal is expected to pay an official visit to the Soviet Union next month, a Turkish foreign ministry official told Reuter in Ankara yesterday. "We cannot make a formal statement yet but the visit is likely to take place between March 11-16," he said.

It will be Mr Ozal's first trip to Moscow since becoming president in December 1989. He visited the Soviet Union as prime minister in 1986.

Greece and Iran discuss gas pipeline

Iran and Greece agreed to co-operate in oil and other industries and study the idea of an Iranian gas pipeline passing through Greece, Reuter reports from Nicosia.

The Iranian news agency IRNA said a letter of understanding was signed in Tehran by Mr Mohammad Hossein Mahloujchi, Iran's minister of mines and metals, and Mr Stavros Dimas, the Greek minister of industry, energy and technology.

Polish generals to stand trial

Three former Communist generals are to stand trial for ordering the destruction of the files of Poland's security police, the official PAP news agency said yesterday, Reuter reports from Warsaw.

The generals, who include former Deputy Interior Minister Henryk Dankowski, face up to five years in jail if convicted. The date of the trial has not yet been set.

PAP said that the destroyed documents included proof that the security police had carried out surveillance and repression of anti-Communist activists and Roman Catholic priests.

Hashish seized in Casablanca

Three tonnes of concentrated hashish, worth $3.8m, were found hidden in a truck about to board a ship bound for Amsterdam, the Moroccan Information Ministry said, Reuter reports from Rabat.

The European driver of the Dutch-registered truck and six Moroccans were arrested. Another European who accompanied the driver to Morocco had already left the country.

EC plan for telecoms leasing

By David Buchan in Brussels

PUBLIC telecommunication networks in Europe will be obliged to lease lines to private companies in a non-discriminatory, transparent way, if EC governments agree to a proposal put forward by the European Commission yesterday.

The market for such value-added services as electronic data bases and transfer of bank funds relies heavily on phone lines leased from national public networks. Despite the market being forecast to grow to Ecu 5bn (£3.57bn) by next year, the Commission says providers of such services have often been handicapped by predatory pricing and conditions by the public authorities.

The Commission believes the new measure, proposed under a framework directive on "open network provision" adopted by EC governments last year, will help big international companies. "They need to integrate the most advanced technologies into their business networks to stay internationally competitive," the Commission said. Improving the telecommunications "nervous system" of Europe's single market is a Commission preoccupation.

Conditions and tariffs of leased lines would, under the proposed directive, have to be published. Any changes would have to be notified in advance by the networks to the leasors. To guarantee open access for all users, the directive would harmonise technical standards.

Hungary's economic outlook brightens

By Nicholas Denton in Budapest

HUNGARY'S current account deficit this year will be significantly better than expected, as will output, according to Mr Gyorgy Suranyi, the head of the central bank. As a result the country is on the threshold of export-led growth.

He predicted that the deficit would be half the $1.2bn previously forecast if oil remained at $20 a barrel. Furthermore, GDP was roughly stable, in contrast to earlier official forecasts of deep recession.

The revisions come as the International Monetary Fund board is set to approve a SDR1.14bn (£830m) three-year extended financing facility for Hungary. In parallel, the Hungarian government yesterday presented a draft programme of institutional economic reforms to meet and go beyond IMF conditions for the credit.

The programme smooths over a persistent and damaging debate about whether to embark on radical or gradual measures to stabilise the economy. It does so by concentrating on essential technical reforms like the introduction of new accountancy and property laws.

Optimism was bolstered by central bank figures released yesterday which showed a $156m surplus on last year's current account, more than $550m better than required by the IMF and the first since 1984. The switching of Hungary's trade with the Soviet Union into dollars from the new year has involved heavy terms of trade losses and made a deterioration in the balance inevitable in 1991.

Lower oil prices since the start of the Gulf war have also tempered official fears: about the momentum of inflation, which reached 33.4 per cent in December; and about the depth and length of recession, after January's record unemployment of 183,000 or 2 per cent of the work force.

"Within the first six to seven months (of 1991) we'll be over the peak of inflation if we are not already over the peak," Mr Suranyi said. This month's cut in the price of meat has been the first conclusive sign that tight fiscal and monetary policies are biting.

Moreover, final official figures were likely to show gross domestic product falling by only 2 per cent last year compared with 6 per cent forecast. "My personal estimation is that there was no decline at all in 1990 if you include the black economy," Mr Suranyi added.

He strong expansion of the private economy this year to halve or even wipe out the officially forecast fall of 4 per cent in gross domestic product.

The collapse of exports to the Soviet Union since former clearing arrangements lapsed in the new year is the main source of uncertainty about Hungary's economic outlook. Preliminary statistics for January show trade running three or four to one in the Soviet Union's favour because Soviet companies have not been allocated the hard currency with which to buy Hungarian goods.

Moscow in challenge to Georgia

THE Soviet parliament threatened yesterday to clamp a state of emergency on the breakaway region of South Ossetia in Georgia, where more than 30 people have been killed in ethnic fighting this year, Reuter reports from Moscow.

The Supreme Soviet gave Georgia's nationalist leaders three days voluntarily to extend a state of emergency across the whole of South Ossetia and stop the bloodshed. Otherwise, the Supreme Soviet said it would step in and impose the measure.

"The resolution says that if these conditions are not fulfilled by the parliament of Georgia, the USSR law on state of emergency must come into force," the official news agency Tass said.

Georgia, bent on breaking away from Moscow's control, abolished South Ossetia's autonomous status in December after its leaders said they wanted to stay part of the Soviet Union rather than belong to an independent Georgia.

Georgian authorities have already imposed a state of emergency in parts of South Ossetia and thrown a blockade around its capital, cutting off supplies of electricity, fuel, water and food.

The Supreme Soviet ordered Georgia to lift the blockade, disarm illegal military units and end illegal arms making.

In a separate development, a shadowy Georgian militia group said two of its members and a priest were shot dead by Interior Ministry troops.

Bonn to decide on tax rises today

By David Marsh in Bonn

CRUCIAL decisions on German tax rises are scheduled to be taken today following agreement in the Bonn coalition government on large revenue-raising measures to stem the growing budget deficit.

A consensus on tax increases and other measures to help channel funds to east German states suffering from the economic downturn east of the Elbe is likely to be hammered out at a coalition meeting this evening.

Mr Theo Waigel, the finance minister, is also calling together this afternoon finance ministers of the federal states (*Länder*) to work out methods of sharing tax revenues more equitably among states in the east and west of the country.

Mr Volker Rühe, general secretary of Chancellor Helmut Kohl's Christian Democratic Union, yesterday admitted – after months of government denials – that tax increases were necessary to help finance the costs of German unity.

Partly to try to boost its electoral popularity, Mr Kohl's coalition previously ruled out tax rises in association with German unification, although it left open whether they might be necessary to finance the costs of the Gulf crisis.

However, it now seems certain that petrol taxes, and possibly income taxes as well will be raised both because of Bonn's sizeable payments to countries affected by the Gulf war and because of the continuing drain from east Germany.

Mr Waigel has up to now sought to keep down the overall public sector budget deficit to DM140bn (£48.4bn) this year through a package of DM35bn in spending cuts decided at the beginning of the year.

More than half the package was raised through an increase in unemployment benefit contributions, which reduced the government's payments to the Federal Labour Office this year.

The Bonn cabinet yesterday approved plans for the 1991 federal budget calling for a federal deficit of DM70bn on spending of DM400bn, as foreshadowed last week.

Yesterday's figures are however highly provisional because both tax increases and additional methods to channel western Länder revenues to the east have not yet been taken into account.

Swedish government postpones plans to scrap nuclear power

SWEDEN said yesterday it was postponing plans to begin abolishing nuclear power by 1995, and instead would embark on a SKr3.7bn ($664m) programme concentrating on safe, alternative sources of energy, Reuter reports from Stockholm.

Mr Rune Molin, industry minister, said the timing of Sweden's nuclear power shutdown now depended on progress in energy-saving and pollution-free generating, while keeping energy costs internationally competitive.

The decision reverses the government's line that it was bound by a parliamentary decision to scrap the first two nuclear reactors in 1995 and 1996.

But the earlier commitment to dismantle all 12 nuclear reactors in the country by the year 2010 remains.

Sweden uses nuclear power to generate 45 per cent of its electricity. The pulp, engineering and other industries which need abundant cheap energy had become increasingly nervous as the 1995 date for scrapping nuclear power approached.

The country's pulp industry welcomed the programme, which is expected to become law by mid-1991.

"Much (of the programme) is positive, but there are still many uncertainties and question marks about energy policy," said Mr Bo Wergens, of the national forestry industry. He regretted that the goal of scrapping nuclear energy altogether by 2010 was still intact.

The programme calls for investment in energy conservation and the development of environmentally friendly energy sources such as ethanol and windmills.

But it drops the government's previous insistence on freezing at 1988 levels the emission of carbon dioxide gas, which is produced by burning fossil fuels and is believed to cause global warming through the so-called greenhouse effect.

Brussels rules against Eurosport channel

By David Gardner in Brussels and Alice Rawsthorn in London

THE European Commission ruled yesterday that Eurosport, the satellite television sports channel linked to Mr Rupert Murdoch, infringed EC competition regulations by entering into an effective joint venture agreement with the Eurovision network to shut out rivals.

The agreement was between the Eurosport Consortium, Sky Television (which now operates as the BSkyB satellite television service), Mr Murdoch's News International, and a group of members of the European Broadcasting Union (EBU). The Commission judged that potential competitors were co-operating, thereby denying access to programmes from other satellite or cable services, strengthening the position of EBU members and the former Sky television service.

Eurosport was receiving preferential access to EBU-produced sports coverage, to the detriment of competitors such as Screensport, which brought the complaint and is a joint venture between W.H. Smith, the UK retailing group, and the cable channel ESPN.

The Commission's ruling clears the way for all satellite channels to compete for the right to screen European sports events.

Mr Francis Baron, managing director of WHSTV (W.H. Smith Television), said the ruling would "enable Screensport to compete in the marketplace for the first time on a fair basis."

Mr Murdoch's News International announced earlier this year that it intended to sell its 50 per cent holding in Eurosport.

The EBU, the group of public sector European broadcasters which owns the remaining 50 per cent, is now negotiating with new potential investors to take the Murdoch stake.

Since BSkyB was formed by the merger between Sky and BSB late last year, it has continued to broadcast both Eurosport, part of the old Sky service, and BSB's Sports Channel.

From April it plans to screen the Sports Channel to all subscribers and to drop Eurosport from its service.

New capital for Air France

AIR FRANCE, the French state-owned airline, is to receive an injection of FFr2bn ($396m) in fresh capital from the state, the company announced yesterday, writes Ian Davidson in Paris.

The announcement of the new capital endowment, the first since 1986, follows the company's adoption of an austerity plan in response to the sharp decline in air travel brought about by the Gulf war.

The plan includes a wage freeze and a 6 per cent reduction in hours worked, and is intended to secure savings of FFr610m.

However, Air France says the new capital is intended as a contribution to the company's 1991-93 investment programme, which includes buying some 60 new aircraft and is scheduled to cost FFr35bn.

The new money is not designed to compensate for its current losses, the airline says.

The airline expects a FFr870m loss in 1990, as a result of the shortfall in traffic, compared with a FFr685m profit the year before.

Slovenia moves further towards independence

By Laura Silber in Belgrade

SLOVENIA'S parliament yesterday approved constitutional amendments to move the republic towards secession from the Yugoslav federation.

Deputies approved two amendments giving the republic control over its foreign policy and creating the legal framework for a fully independent monetary system. These are likely to undermine reforms undertaken by Mr Ante Markovic, the federal prime minister.

Mr Milan Kucan, Slovenia's president, said: "The federal government is no longer able to safeguard the rights of its republics, so we suggest it be dissolved.

"Should the republics accept our proposals, there will be two or more sovereign states born out of Yugoslavia. Both or all these states will inherit the rights and obligations of the former Yugoslavia."

Deputies are expected later in the week to vote on "an agreement on dissociation" – a resolution on independence.

Last December's referendum which was approved by the majority of the republic's 2m population allowed six months for Slovenia "to take the necessary steps to assume the right and prerogatives of a federal state".

But the process of sorting out liabilities will take "much longer," according to Mr Kucan.

Meanwhile Mr Markovic has been lobbying for support of the federal government's programme.

Rural Ireland up in arms over 'whizz kid' economics

A restructuring of post offices is the final straw for dying local communities, reports Kieran Cooke in Dublin

THE rural communities of Ireland are up in arms. Not about the growing disintegration of their roads and the non-existent rubbish collection, but about the closure of their village post offices.

An Post, the Irish state-run post office, is in severe financial difficulties and is a drain on precious public resources. This year the company is likely to lose I£16m (£14.8m), next year about I£25m.

In an effort to appease a government bent on stopping losses in the state sector, An Post is planning a radical restructuring of its operations.

Central to this is the closure of 550 post offices, predominantly in rural areas. In some regions, post will no longer be delivered house to house, but have to be collected from special boxes.

The country has reacted angrily.

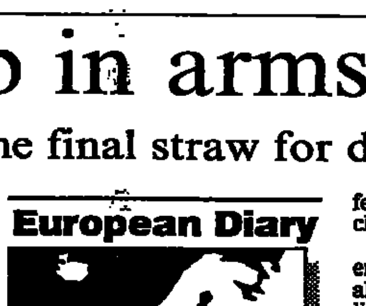
The post office is one of the pillars of the community in parts of rural Ireland. Take the post office away, say An Post's critics, and the community will cease to exist.

Though about 40 per cent of Ireland's 3.5m people live in the Dublin area, the country remains essentially a rural society, with life centred on the local church, pub and post office.

In the old days people would anxiously wait at the post office for mail – and possibly cheques – from fathers, sons and daughters gone overseas to work.

Mrs Mary Grady has run a post office for more than 40 years in Cregganbaun, a small village surrounded by bogland

European Diary



Ireland

and mist-shrouded mountains on the edge of Connemara in the far west of Ireland. There are very few jobs locally. Over the years Mrs Grady has watched the young people emigrate to Britain or the US. A few years ago the local school closed.

"There are about 20 pensioners living here, many of them alone, and a few other families" says Mrs Grady. "If the post office closes then it's the old people who will suffer, with not even a place to meet while collecting their dole or pensions."

In many communities the post office is combined with a shop or pub. At the beginning of the week people congregate to collect their unemployment benefits. At the end of the week they meet to collect their pensions.

The Irish novelist John McGahern captured much of the atmosphere of the the rural post office in his recent book "Amongst Women". An emigrant, away nursing for some years, returns home. She goes to post a letter.

". . . The small room of the post office was full of people waiting for the evening mail. They all turned towards her when she entered and way was made for her to go up to the counter. People whose own names she was no longer certain of called out her name and she smiled and nodded by way of general response.

"The post office was owned by two white-haired sisters, Annie and Lizzie, far out cousins of her own, and Annie stamped the envelope for her, postmarked it and dropped it in the calico bag on the counter. . . when the mail van pulled up outside, the hum of talk about them went silent."

There is resentment in parts of Ireland, particularly in the underpopulated western half of the country, about the way towns and villages seem to have been sacrificed on the altar of economic expediency. In recent years Ireland has won international acclaim for the way it has cut back on national spending and brought its foreign debt under control.

The Irish economy has grown by an average of 4 per cent annually in the past four years. But emigration has left parts of the country desolate and unemployment has recently risen to 18.5 per cent - along with Spain, the highest in the EC.

To country people, the planned closure of the post offices is being seen as yet another example of government's ambivalence about their problems. As one country councillor said: "The whizz kids do not think of rural Ireland."

Already government cuts mean that there is no rubbish collection in many rural areas. Potholes on many country roads make driving hazardous. With cuts in the EC subsidy regime, the future for much of Irish agriculture is bleak.

The government has been surprised at the uproar caused by An Post's "viability" plans. Members of the coalition government headed by Mr Charles Haughey, the prime minister, say that if the post office closures are carried out, vital votes will be lost in rural constituencies.

"Closing the local post office would be the last nail in the coffin of many country communities," said one west of Ireland politician. "We just can't let a whole way of life disappear."

هكذا من الاصل

The downturn will not be as severe as on previous occasions, predicts the Fed chairman

Greenspan upbeat on recession

By Michael Prowse in Washington

THE balance of forces suggests that this recession will be "shorter and shallower" than most post-war downturns, Mr Alan Greenspan, the Federal Reserve chairman, said yesterday as he delivered his semi-annual Humphrey-Hawkins monetary testimony to Congress.

Mr Greenspan declined to adjust the provisional target ranges for monetary growth set last July, arguing that these gave scope for economic recovery while keeping downward pressure on inflation. But he hinted at the need for further regulatory reforms to ease the "credit crunch" – the apparent unwillingness of banks to lend.

Mr Greenspan's economic optimism appeared to rest in large measure on the fact that both oil prices and interest rates have fallen sharply in recent weeks. However, Mr Greenspan took care to temper his remarks with many warnings about the unpredictability of events in the Middle East, the risks associated with financial fragility and the limitations of economic forecasting.

He said it would be unwise to rule out the possibility that the recession would become "more serious than already is apparent". The main danger was that the erosion of purchasing power and frayed consumer and business confidence stemming from the recession could interact with a weakened financial system to produce a further decline of the economy.

On balance, however, the Fed believed the odds favoured a moderate upturn in economic activity in coming quarters. It is forecasting growth of gross national product of about $\frac{3}{4}$ – $1\frac{1}{2}$ per cent between the final quarters of 1990 and 1991.

This is roughly in line with the Bush administration's projection of a 0.9 per cent increase in real GNP over the same period. But it is markedly more pessimistic than the Fed's forecast of $1\frac{3}{4}$ per cent to $2\frac{1}{2}$ per cent growth made last July. The Fed expects the jobless rate to rise to between $6\frac{1}{2}$ to 7 per cent by year-end. But it hopes that lower oil prices, and slack in labour and capital resources will restrain inflation to only $3\frac{1}{4}$ to 4 per cent, the best performance in recent years.

Several stimulative forces have been set in motion, Mr Greenspan claimed. These include a significant drop in both short- and long-term interest rates. The monetary easing, moreover, began more than a year before the business cycle peak, a pattern "unique in post-war experience" that will help cushion the recession.

At the same time, inflation pressures remained moderate by the standards of past recession. The fall in the dollar had enhanced industrial competitiveness and should support exports in coming months. Meanwhile with most businesses keeping their inventories lean, the "anticipated pick up in aggregate demand should show through relatively quickly in rising production".

However, Mr Greenspan conceded that there were several forces acting to restrain spending and demand. The large stock of vacant commercial properties was virtually certain to limit activity in the real estate market for some time.

It would also take a while to correct the financial difficulties facing many lenders, who would probably remain quite conservative in making new loans.

ECONOMIC PROJECTIONS FOR 1991

Measure	Memo: 1990 Actual	Fed* Range	Fed* Central Tendency	Administ'n	Fed central Tendency (July '90)
% change, fourth quarter to fourth quarter**					
Nominal GNP	4.3	$3\frac{1}{2}$ to $5\frac{1}{2}$	$3\frac{3}{4}$ to $5\frac{1}{4}$	5.3	$5\frac{1}{4}$ to $6\frac{1}{2}$
Real GNP	0.3	$-\frac{1}{2}$ to $1\frac{1}{2}$	$\frac{3}{4}$ to $1\frac{1}{2}$	0.9	$1\frac{3}{4}$ to $2\frac{1}{2}$
Consumer price index†	6.3	3 to $4\frac{1}{2}$	$3\frac{1}{4}$ to 4	4.3	$3\frac{3}{4}$ to $4\frac{1}{2}$
Average level in fourth quarter, % ††					
Unemployment rate	5.9	$6\frac{1}{4}$ to $7\frac{1}{2}$	$6\frac{1}{2}$ to 7	6.6	$5\frac{1}{2}$ to 6

* FOMC Members and Other FRB Presidents
** Average for the fourth quarter of the preceding year to the average for the fourth quarter of the year indicated
† Actual and FOMC forecasts are for all urban consumers. Administration forecast is for urban wage earners and clerical workers
†† Percentage of the labour force. Actual and FOMC forecasts are for the civilian labour force: Administration forecast is for the total labour force. Including armed forces residing in the United States

Alan Greenspan: recession will be shorter and shallower

MAIN POINTS

- Shallow recession, upturn later this year. The Fed predicts growth of $\frac{3}{4}$ to $1\frac{1}{2}$ per cent in 1991, roughly in line with Bush administration forecasts.
- Inflation to moderate. Lower oil prices and higher unemployment to underpin consumer price inflation of $3\frac{1}{4}$ to 4 per cent, the best recent performance.
- No revisions to monetary targets set last July. Target range for M2 remains $2\frac{1}{2}$ to $6\frac{1}{2}$ per cent despite recent undershooting by Fed.
- Regulatory initiatives to ease "credit crunch". Alan Greenspan says easier monetary policy cannot resolve "market imperfections" that obstruct supply of credit.

Call to end credit supply impediments

FURTHER regulatory initiatives may be needed to remove impediments restricting the supply of credit, Mr Alan Greenspan warned yesterday, writes Michael Prowse.

He said structural reforms, rather than an easing of monetary policy per se, might be needed to remove some "market imperfections" affecting credit supply.

One step taken last year to bolster bank lending was reduction in the proportion of deposits banks must hold as non-interest bearing balances at the central bank. This appreciably reduced banks' funding costs.

He was also anxious to encourage lending by reducing the stigma attached to borrowing of short-term adjustment credit at the Fed's "discount window".

Banks' reluctance to borrow from the window in recent years had rendered this device a "less effective safety valve in relieving transitory pressures in the reserves and funds market".

Monetary ranges 'on target'

By Michael Prowse

MONETARY policy ranges provisionally adopted last July remain appropriate in spite of the recession, Mr Alan Greenspan said.

The 1991 target range for growth of M2, the most widely watched monetary aggregate, remains $2\frac{1}{2}$ per cent to $6\frac{1}{2}$ per cent. This is slightly tighter than the 3 per cent to 7 per cent ranges set in 1989 and 1990, reflecting the Fed's belief that inflation will ease gradually.

The target range for growth of M3, a broader measure of money, remains 1 per cent to 5 per cent. The low target reflects the impact of restructuring of the savings and loan industry, which has reduced deposit growth.

The Fed also set a monitoring range for growth of non-financial sector debt of $4\frac{1}{2}$ to $8\frac{1}{2}$ per cent in 1991. This is slightly tighter than last year's target and reflects expected sluggish borrowing by consumers and businesses.

Mr Greenspan said the target ranges for money and debt growth were selected "to promote sustainable economic recovery, consistent with progress over time toward price stability".

Some analysts had expected the M2 target to be raised following criticism of the Fed for allowing the monetary aggregates to fall below target in the fourth quarter of last year.

Mr Greenspan conceded yesterday that the aggregates ended 1990 "well down in the lower halves of their annual growth ranges". M2 grew by 3.9 per cent between the fourth quarters of 1989 and 1990 but was flat in the final three months of last year.

The Fed said the weakness of M2 reflected the stalling of gross national product in the last quarter of 1990, the reluctance of banks to lend – the so-called credit crunch – and a shifting of credit intermediation away from banks.

Policy easing in recent weeks, including two cuts in the discount rate to 6 per cent, was aimed partly at reviving the growth of M2 and the other aggregates.

Mr Greenspan said there was already tentative evidence of a pick-up in monetary growth but it was too early to be sure that a more robust trend had been established.

His statement underlined the degree to which the performance of the monetary aggregates has moved to the centre of the Fed's thinking. It implies policy will be eased further if M2 growth does not move towards the centre of this year's target range – which also represents the Fed's best guess of likely nominal growth of GNP in 1991.

MONETARY AND CREDIT AGGREGATES GROWTH
(% change fourth quarter to fourth quarter)

	1989	1990	1991
M2	3 to 7	3 to 7	$2\frac{1}{2}$ to $6\frac{1}{2}$
M3	$3\frac{1}{2}$ to $7\frac{1}{2}$	1 to 5	1 to 5
Debt	$6\frac{1}{2}$ to $10\frac{1}{2}$	5 to 9	$4\frac{1}{2}$ to $8\frac{1}{2}$

Bush's energy strategy set to intensify debate

By Peter Riddell, US Editor, in Washington

THE main impact of the national energy strategy formally launched yesterday by President George Bush will be to intensify, rather than resolve, debate about what the US should do to encourage domestic production and the efficient use of energy.

The Gulf war – with the initial and now reversed sharp rise in oil prices – has intensified political and public pressure for action, in view of the US's growing dependence on imports. These accounted for just 30 per cent of US oil needs in the mid-1980s; the figure is now almost 50 per cent.

As Democrat Senator Bennett Johnston, chairman of the Senate energy committee, has commented: "With the war in the Gulf now, if we can't pass a really meaningful energy policy, then shame on us."

The main debates will be about car fuel economy standards, drilling for oil in environmentally sensitive areas, encouragement of conservation and reviving the nuclear power industry.

The leaked administration proposals have already been widely criticised for relying too much on raising oil output – as well as easing regulations to stimulate natural gas and nuclear power production – and not enough on conservation.

The Sierra Club, a leading environmentalist group, has criticised the plan for being "nothing more than an answer to the prayers of the oil, nuclear and auto industries."

Indeed, the White House and the Office of Management and Budget are reported to have deleted sections of the plan that would have put greater emphasis on conservation.

They removed proposals to exempt energy efficiency rebates from federal taxes and establish a federal fund to make loans for efficiency projects.

At an earlier stage, ideas to require increased car efficiency – the Cafe, or corporate average fuel economy standards – did not make it into the plan. Similarly, further increases in petrol taxes – even though they are the most efficient way of encouraging conservation – were seen as politically unacceptable following the enormous row last autumn over the phased increases included in the budget plan.

The president's key economic advisers objected to proposals which might increase industry's or consumers' costs substantially and hinder economic recovery.

The main themes of the White House's approach were indicated in last week's report from the president's council of economic advisers. This stated that "primary reliance on markets to determine prices, quantities, and technology choices provides the foundation for sound longer term energy policies, and thus for the administration's national energy strategy."

Moreover, "policies concerned with energy security or environmental protection must be well-designed to avoid excessive costs and to ensure that economic growth can continue to be fostered through the availability of ample supplies of reasonably priced energy."

These priorities have been shown not only by what has been left out of the strategy but also by its key elements.

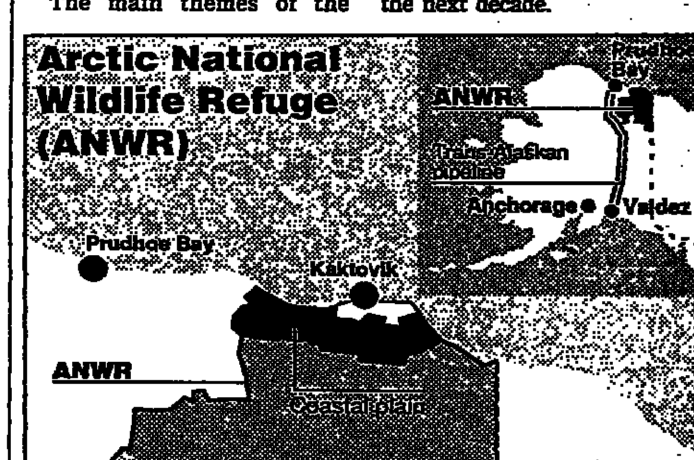
The main proposals of the strategy include opening up the Arctic national wildlife refuge in Alaska to oil drilling and and expanding offshore exploration on the outer continental shelf, as well as removing many of the regulatory barriers in the way of approving new nuclear plants and building new natural gas pipelines and hydro electric plants.

Proposals have also been made to encourage the use by federal agencies of alternative fuels such as methanol, ethanol and compressed natural gas, and the more general adoption of renewable energy sources. These ideas will be measured alongside plans already put forward by senior members of the Senate and House energy committees.

For instance, the House energy and power sub-committee will shortly consider measures including incentives for the use of renewable energy sources such as solar and wind power, as well as new federal programmes to stimulate energy efficiency in housing, businesses and government buildings.

In the Senate, Senator Bennett Johnston, from Louisiana, and Senator Malcolm Wallop, the committee's senior Republican from Wyoming, have urged the opening up of the Arctic national wildlife refuge to drilling, though they would use revenues from leases to promote energy efficiency programmes and the development of solar and wind power.

Both the main Senate and House proposals dodge the question of raising car fuel efficiency, although Democrat Senator Richard Bryan from Nevada has called for a 40 per cent increase in standards over the next decade.



Mexico in debt-for-nature swap

By Damian Fraser in Mexico City

THE debt-for-nature swap is spreading. Following Bolivia, Costa Rica and Madagascar, the Mexican government reached its first such agreement on Tuesday.

Over the next four years Conservation International, the environmental group, will arrange to retire $4m (£2m) of Mexico's foreign debt in return for the government spending $2.6m on specified environmental projects.

Costa Rica has retired a fifth of its foreign debt through such swaps, while spending more than $100m on protecting its dry and tropical rain forests.

The Mexican swap represents 0.05 per cent of the country's total debt. Other such deals, reportedly in the offing, will not reduce the country's $80bn external debt significantly.

The debt swap does not represent any direct savings for the Mexican government since, under the terms of the Brady debt deal, it has already agreed to buy back the debt that is being retired at a 35 per cent discount. It would probably have been as economical if environmental groups gave the $2.6m to the government directly.

However, the deal demonstrates that the government is finally waking up to environmental pressures, both internal and external. Environmental issues are likely to be a focus of opposition from the US Congress to the proposed free trade agreement with the US and Canada.

Almost half the $2.6m will spent on preserving and documenting fauna and flora in the Selva Lacandona. More than half this forest has been destroyed by illegal logging and conversion of forest into farmland since 1970.

According to Conservation International, the forest will be destroyed within 10 years if current rates of deforestation continue.

The governor of Chiapas state, where the forest is located, blamed deforestation on "corruption and complicity" of foreign companies.

Most environmental groups blame the state's alarming deforestation rates on the government's agrarian reform policies, however.

Mexican farmers can apply for credit from the agricultural bank by clearing unclaimed land of trees. The government has encouraged the development of the Lacandona area as a way of protecting the border against Guatemala.

Close to 200,000 people now live in an area where only 5,000 lived in the 1960s.

Sharp fall in US house starts

By Michael Prowse

US housing starts plunged last month to their lowest level for nine years, the Commerce Department said yesterday.

Starts fell by 12.8 per cent to a seasonally adjusted annual rate of 850,000 – the lowest level since January 1982. The department also revised downwards figures for December to show a drop of 13.7 per cent.

Starts have fallen by 45 per cent in the past year.

The recent decline in housebuilding activity was more severe than analysts expected and suggests the recession may be gaining intensity, rather than bottoming out.

Construction is usually one of the sectors which leads the economy out of recession. But the latest figures provide no grounds for expecting an early recovery.

Building permits – the best indicator of future construction – fell a further 5 per cent to 804,000 last month and are now running more than 50 per cent below the levels of January 1990.

The weakest region remains the north-east, where starts fell nearly 30 per cent to 77,000 last month.

In the mid-west starts declined 15 per cent to 198,000.

A similar percentage drop in starts in the south took the annual rate of housebuilding to 340,000 – the lowest level since the series began in 1959.

In the west, starts were 235,000, fractionally above the December level, but far weaker than for most of 1990. A year ago starts in the west were running at 499,000.

Most of the decrease in housing starts last month was accounted for by a 16 per cent decline to 632,000 in the annual rate of construction of single-family units.

But construction starts for apartment buildings containing five or more units also fell, by nearly 10 per cent to 209,000.

US consumer prices rose 0.4 per cent last month after seasonal adjustment and by 5.7 per cent in the year to January, the Bureau of Labour Statistics reported yesterday, writes Michael Prowse. The rise was slightly larger than analysts expected and compares with increases of 0.3 per cent in the two preceding months.

Figures for underlying inflation, however, were considerably worse. Excluding food and energy, the widely watched "core" consumer price index rose 0.8 per cent, double the average monthly increase in 1990.

Dry winter dashes Californian dreams of drought's end

The state has started to draw up 'battle plans', writes Louise Kehoe

CALIFORNIA, which boasts an abundance of natural resources, is coming to terms with the fact that it lacks one vital commodity – water. Winter rains which normally provide about 60 per cent of the state's 11,000bn gallons on water used annually have failed for the fifth consecutive year, threatening the worst drought in 14 years.

The impact on the state's economy, which ranks sixth in the world compared to national economies, will inevitably be severe.

Mr Pete Wilson, the state's governor, has announced a "battle plan" to deal with the crisis, calling for water agencies to cut consumption by 50 per cent. "Most of us are going to have our water cut in half," he said. "At present that is a worse-case scenario, but I think it is becoming a likelihood."

As the state basked in unseasonably warm weather this week, prospects for an end to the drought were quickly fading.

California typically has 26 inches of rain in the wet season between October and February. This year many parts of the state have had almost no rain, with an average fall of just $6\frac{1}{2}$ inches. With reserves already depleted, the situation is becoming desperate.

The Federal Bureau of Reclamation, which controls California's Central Valley project – a massive system of reservoirs, aqueducts and canals built in the 1950s – announced last week that even by draining its resources it would be able to provide only about 25 per cent of normal water supplies to urban and agricultural customers.

The state water project, which moves water from the Sierra Nevada mountains in northern California to the most populous regions in the south, has halted water supplies to farmers and mandated 50 per cent cuts for urban customers.

Among the worst hit are California's farmers, who normally consume more than 80 per cent of the state's water for irrigation. Early estimates suggest the state's $15bn (£8bn) agricultural industry will suffer losses of $1bn to $2bn this year.

Some regions will be particularly hard hit. Kern County, in the San Joaquin valley, one of the state's richest farming areas with 850,000 acres of prime agricultural land, may become the first economic casualty of the drought.

The region has little ground water to supplement supplies from the state water project; in the late 1960s it was transformed from a desert. In 1989 the county produced $1.6bn worth of fruit, vegetables, nuts and other crops.

Local officials estimate that more than 11,000 workers on farms and in related industries will lose jobs as a result of the drought.

Manufacturing industries that rely on water supplies are beginning to count the potential costs of rationing.

Silicon Valley's chipmakers are struggling to forestall production curbs in the wake of water rationing; electronics manufacturers use large quantities of water to cleanse equipment, circuit boards and semiconductor wafers. Ironically, the use of water-based cleaning fluids has increased as manufacturers have sought alternatives to environmentally damaging CFCs.

Faced with the prospect of 50 per cent cuts in water, some companies fear they will be forced to scale-back production.

For residents of central California, water rationing is nothing new. This year, however, water restrictions will be more severe.

Affluent Marin County, north of San Francisco, has restricted residents to just 50 gallons of water a day from March 1. Homeowners are being encouraged to install low-flow showers and toilets, which together account for the largest personal use of water.

The impact of the drought is not uniform throughout the state.

In southern California more moderate cuts of 10 to 15 per cent for residential customers have been proposed, in part because the region's cities draw some of their water from the Colorado River.

There is also a political dimension to water distribution in the state.

The southern, most populous part of the state has largely been protected from water rationing in the past. "Water wars" have long raged between northern and southern California, with residents in the north fighting to stop expansion of water exports to the south. Farmers also compete with "urbanites" for scarce water supplies.

In an attempt to provide more equitable distribution of water throughout the state, Mr Wilson has proposed streamlining water sales.

Even between a willing buyer and a willing seller, water transfers can currently take months because of a labyrinth of regulations.

Along with a $100m fund for conservation measures, the governor has proposed a "water bank" that can be tapped by drought-stricken cities and farmers.

Water supplies for the bank are expected to come primarily from rice growers, who will receive state incentives not to plant their water-intensive crop this year. Long-range plans being explored by southern California water districts include building a $2bn desalination plant.

While the cost and power requirements of such a plant are significant obstacles, the fact it is even being considered signals a change of attitude in California.

LOS ANGELES City Council voted on Tuesday to start rationing water next month, Reuter reports from Los Angeles.

Residents and businesses in the second largest US city will have to cut water consumption by 10 per cent from March 1 and by 15 per cent from April 1.

Residents who fail to meet the new requirements face hefty fines and other penalties. But local authorities are bracing for thousands of appeals; during rationing in 1977, 73,000 appeals were filed and 92 per cent were granted.

WORLD TRADE NEWS

Japanese drop plan to buy into US tool group

By Robert Thomson in Tokyo

FANUC, the Japanese machine tool equipment maker, has dropped plans to take a 40 per cent stake in Moore Special Tool, a US precision tool company, following pressure from US Congress representatives opposed to a large foreign holding in a company with a nuclear weapons manufacturing capability.

The Japanese company had been invited to make the $10m (£5m) bid by executives at Moore, who insisted they would retain management control, and that the funding was needed to reduce debt and modernise production facilities.

But a bi-partisan group of US Congress representatives campaigned against the purchase, claiming it posed a threat to US security.

The investment was not opposed by the Committee on Foreign Investment in the US (CFIUS) and was supported by the US Treasury and State Department, while the US Defence, Commerce and Energy Departments expressed some concern.

Fanuc officials said in Tokyo yesterday that the time taken to close the investment "had exceeded all expectations", and that the legal authority for the purchase had been clouded by the opposition in Congress.

The company said that while it believed "congressional hearings would end favourably", the "indefinite and burdensome" review procedures had prompted the abandonment on the purchase plans.

Fanuc's problems and the vehemence of the congressional opposition to the purchase are likely to make other Japanese companies wary of any investment with links, however tenuous, to sensitive industries such as nuclear weapons production.

The Japanese company emphasised that it did not make the initial offer and that it had no plans to take a controlling stake in the Connecticut-based Moore, which supplies metal boring and gouging equipment to the Energy Department for nuclear weapons production.

Moore representatives insisted that the company was engaged in "no classified work" and that government contracts amounted to no more than 10 per cent of total sales. Fanuc said that Moore, an old business partner, had requested help, and that the stake would remain a minority holding.

"Fanuc answered this call for help from an esteemed customer because it believes Moore is a sound company and that association with the prestigious Moore name would enhance Fanuc's marketing efforts," the Japanese company said.

But some US Congress representatives did not see the deal in commercial terms, and Mr Mel Levine, a California Democrat and chairman of a high-technology committee, wrote to President Bush urging him to oppose the purchase.

"Allowing Moore to fall into foreign hands would pose an unacceptable national security risk to US nuclear weapons production capability, as well as worsening the already disturbing US trend of growing dependence on foreign machine tool vendors," Mr Levine wrote.

Peter Riddell adds from Washington: The issue had become very political because of the opposition of prominent congressmen to the deal as a further instance of a Japanese takeover of a company essential to US national security. President Bush had taken no formal position and, with the law lapsing, neither faced a statutory deadline to act, nor had power to block the deal.

But Fanuc's withdrawal is a relief to the US administration since approval would have stirred further congressional anger at a time of considerable hostility to Japan and made straightforward re-authorisation of Exon/Florio legislation to block foreign takeovers on national security grounds more difficult.

Moore had argued that its sales for nuclear weapons development were less than a tenth of its business and that Fanuc's offer of $10m for minority ownership was the best financial offer available.

EC presses Austria and Switzerland in road row

By David Buchan in Brussels

BRUSSELS yesterday turned up the heat on Austria and Switzerland to settle their road transit dispute with the EC, by warning that failure to agree would jeopardise the far-wider negotiations for a common economic zone with all seven European Free Trade Association (Efta) countries.

Speaking after high-level EC-Efta talks, Mr Horst Krenzler, the EC's director-general for external affairs, warned that unless Vienna and Berne showed flexibility they would ruin the chances of negotiating a treaty on the European Economic Area (EEA) by the target date of thus June.

Austria and Switzerland lie across the middle of the Community, and have in recent years taken action to limit the environmental damage from heavy trucks along relatively few Alpine valleys.

The Commission has been trying to get Switzerland to make exceptions to its ban on trucks of over 28 tonnes weight, and to get Austria to reverse its plan to reduce transit licences. The Commission "is leaning on us, but we are leaning back", Mr Manfred Scheich, Efta's chief negotiator, said yesterday.

Mr Scheich welcomed yesterday's agreement by the EC that each of the seven Efta countries - Liechtenstein is turning its Efta association into membership shortly - would have a judge on the joint panel with the Community's 13 judges to adjudicate on disputes within the 19-nation EEA.

But he still complained that Brussels was demanding too short a time for Efta countries to adjust to its single market rules, and allowing Efta states too little say in the committee management of these rules.

Iron lady entices ships into Peru's ports

Sally Bowen reports that docks trade has revived with the end of a monopoly

DENNY Ghersi has become known as the iron lady of Peru's ports, the pioneer in breaking a 55-year-old union monopoly on stevedoring. The results are already starting to show in lower costs for Peruvian exporters and could lead to Peru recapturing a substantial share of Bolivian trade that has increasingly gone to Chile.

Peru's ports have been notoriously expensive for years.By late last year escalating costs had brought sea trade to a virtual standstill. For three consecutive days last November not a single ship entered Lima's port of Callao, where old-timers recall halcyon days when ships lay out in the bay queueing for one of the 70 berths.

Callao moved 2,730,000 tonnes of goods in 1990, compared with 4,610,000 tonnes the previous year and 7,377,000 in 1987. Other Peruvian ports register similar or worse declines.

In the northern port of Chimbote, union-negotiated benefits had caused costs to escalate to the point where it was almost as expensive to load a ton of fishmeal as to produce it - almost $50, and eight or ten times what Chilean competitors charged.

Trade modernisation was always high on President Alberto Fujimori's priority list. But three supreme decrees issued last October took the shipping industry by surprise. They opened the way for shipping agents to contract stevedores privately and permitted dockworkers to set up their own private companies or co-operatives.

At the losing end of the measures is the Maritime Workers' Controlling Commission, founded in 1935 essentially as an inspectorate. It groups half a dozen stevedoring unions and controls dock labour. Its monopolistic position has allowed it to proliferate; it won wide-ranging benefits and guaranteed pay for stevedores even when there were no ships. Agents paid around $40 per shift to the commission while workers actually pocketed $5. The remainder was administered by the commission in "social benefits."

Denny Ghersi, in the shipping business since she was 16, had skirmished for years with the commission "opposing the excesses, abuses and absurd union regulation in quixotic fashion," but always on the losing end. "When the supreme decrees were promulgated, I saw the doors of heaven open and I walked right in," she says.

Three supreme decrees issued last October by President Alberto Fujimori (right) took the shipping industry by surprise. They opened the way for shipping agents to contract stevedores privately and permitted dockworkers to set up their own companies

She filed her application for permission to use private labour the day the decrees were announced and in late November she put the new law to the test. Under police and naval protection, she escorted 28 privately-contracted workers into the Callao docks to unload a cement cargo. Ugly clashes ensued with demonstrating unionised dockworkers - but unlike events in Chile when a similar monopoly-busting law was enforced, physical violence was short-lived. Stevedores quickly realised that they could earn substantially more under private contracting and many are signing up directly with shipping agents.

Union resistance to the measures has varied port by port. Some, like Paita in the north and Matarani in the south are operating almost completely under the new system. Matarani is a government priority and the sharply lower costs make it a serious competitor for Arica. Already Matarani has enticed back to Peru numbers of ships which for several years had increasingly used the northern Chilean ports, trucking merchandise to Lima.

Eduardo Toledo, the transport minister who spearheaded port liberalisation, says Peru can realistically expect to increase its share of Bolivia's port trade from 5 to 50 per cent. Bolivians would rather trade via Peru for historical and cultural reasons, he believes. And the priority recently accorded by Andean Pact ministers to the Matarani-La Paz stretch of the projected railway linking the Peruvian port to Brazil's Santos will help switch trade fast.

The battle for liberalisation is not yet won, however. Some larger shipping agencies have clung to the antiquated and inefficient union system - they charge clients a percentage of costs, so have little interest in seeing these substantially reduced. Even with more efficient stevedoring, there remains much to do in modernising port infrastructure. And unions continue to contest the legality of the supreme decrees through the Peruvian courts, their militant leader Luis Negreiros predicting eventual defeat for the measures.

But sea traffic is already picking up and Denny Ghersi has no intention of turning back.

Canadian Airlines defies doldrums with new terminal

THE dismal condition of the international airline industry will be evident in this morning's low-key ceremony to mark the opening of the long-awaited third terminal at Toronto's Lester Pearson airport, Bernard Simon reports.

The terminal's developers had planned to hold a party for 3,500, to celebrate a new home for Canadian Airlines International and a new gateway to Canada for British Airways, American Airlines, Lufthansa and several other European carriers. The party was cancelled after the Gulf war broke out. Estimates of traffic flows through the C$520m (£226m) terminal have recently been cut by 12 per cent to 8m passengers a year, slightly more than half its capacity.

But Canadian Airlines is pinning high hopes on its new home. Airline experts have recently questioned Canada's ability to support two major international air carriers. Canadian wants the terminal to help give it an edge over its rival, Air Canada. About half the two airlines' passengers pass through Toronto. Canadian believes curiosity with the new terminal will encourage many to book seats on its flights in the next few months.

Canadian has until now been at a disadvantage, occupying part of an increasingly congested building, while Air Canada had its more spacious terminal almost to itself. But Canadian pledges the new terminal will end "the indignities and incivilities of business travel". The new building has already prompted Air Canada to rush into a C$135m renovation of its own terminal. It is bound to increase pressure on the federal government to go ahead with plans to turn Pearson's other two terminals over to private-sector developers.

A consortium led by BAA of the UK is among three groups bidding for the contract to modernise the two older terminals. BAA hopes to use Toronto as a springboard for other North American contracts. Among its rivals for the Toronto project is a group including the California-based Lockheed Air Terminal, and Huang & Danczkay, the local developer.

Spanish in Venezuelan plant deal

A SUBSIDIARY of Spain's Repsol and the Venezuelan government's petrochemical company, Pequiven, have agreed to build a $21m (£10.6m) plant in Venezuela for producing specialised waxes for industry, Joe Mann reports from Caracas.

Repsol Derivados and Pequiven will each hold 49 per cent of equity in the new venture, while the remainder is to be sold on the Venezuelan stock exchange.

The new plant, to be near the Cardon oil refinery in western Venezuela, will be designed to produce 30,000 metric tonnes of waxes a year, for the domestic market and export. Raw materials for the plant will be supplied by the oil refinery. The special waxes have uses in making packaging, insulation and anti-corrosive compounds.

Pequiven is in the middle of a $6bn expansion programme expected to triple its output capacity by 1996.

Italy can limit import of Japanese motorcycles

ITALY has received clearance from the European Commission to limit imports of Japanese motorcycles with engine capacity of less than 380 cc until the end of this year, the European Community's executive body has said, Reuter reports from Brussels.

Italy requested the clearance to stem imports after it received more than 32,000 demands for import licences for the motorcycles at a time when domestic demand is falling and its own manufacturers are restructuring.

Italy will be able to limit the number of licences it hands out to 18,000. They will be shared out proportionately among the companies which have requested them.

Australia told to focus export effort on Asia

AUSTRADE, an Australian government-supported concern promoting exports and investment, plans to focus its efforts on Asia, its chairman said, AP-DJ reports from Sydney.

A review by McKinsey & Co consultants recommends it concentrate on markets with most potential for Australian goods and services which Australian companies find hard to penetrate.

The countries that best fit these criteria, the report says, include Japan, South Korea, Taiwan, Thailand, Indonesia, India and Pakistan. Exporters did not need as much help in western Europe or North America, while other areas had limited potential.

LEGAL NOTICES

No. 008108 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court
IN THE MATTER of (1) WALLABROOK PROPERTY CO LIMITED (IN ADMINISTRATION)
AND
IN THE MATTER of the Insolvency Act 1986

Notice is hereby given that a meeting of (2) (creditors) in the above matter is to be held at Shelley House, 3 Noble Street, London EC2 on the Twenty-eighth day of February 1991, at 2.30pm.
(1) To consider our proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors
A proxy form should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give to us, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

M.A. JORDAN & R M ADDY
Joint (Administrator)s

A copy of our proposals may be obtained from
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

No. 008108 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court
IN THE MATTER of (1) AUTHORITY INVESTMENTS PLC (IN ADMINISTRATION)
AND
IN THE MATTER of the Insolvency Act 1986

Notice is hereby given that a meeting of (2) (creditors) in the above matter is to be held at Shelley House, 3 Noble Street, London EC2 on the Twenty-eighth day of February 1991, at 2.30pm.
(1) To consider our proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors
A proxy form should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give to us, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

M.A. JORDAN & R M ADDY
Joint (Administrator)s

A copy of our proposals may be obtained from
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

No. 008106 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court

In the matter of Basinghall Registrars Limited (In Administration) and in the matter of the Insolvency Act 1986
Notice is hereby given that a meeting of (2) creditors in the above matter is to be held at Shelley House, 3 Noble Street, London EC2 on the Twenty-eighth day of February 1991 at 2.30 pm.
(1) To consider our proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors
A proxy form should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give us not later 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

M A Jordan & R M Addy
Joint (Administrators)
A copy of our proposals may be obtained from
Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Perfectionist Plastering Limited
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at 20 Old Bailey, London EC4M 7BH, on the 28th day of February 1991 at 10.30 am for the purposes mentioned in sections 48 and 49 of the said Act.

A creditor is entitled to vote at this meeting only if:
(a) he has forwarded to the administrative receivers Mr P R Sykes and Mr M C Bird of BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH, not later than 12.00 hours on the 27th day of February 1991 details in writing of the debt that he claims to be due to him from the above named company, and the claim has been duly admitted for the purpose of entitlement to vote, and
(b) there has been lodged with the administrative receivers any proxy which the creditor intends to be used on his behalf.

P R Sykes
Joint Administrative Receiver
18 February 1991

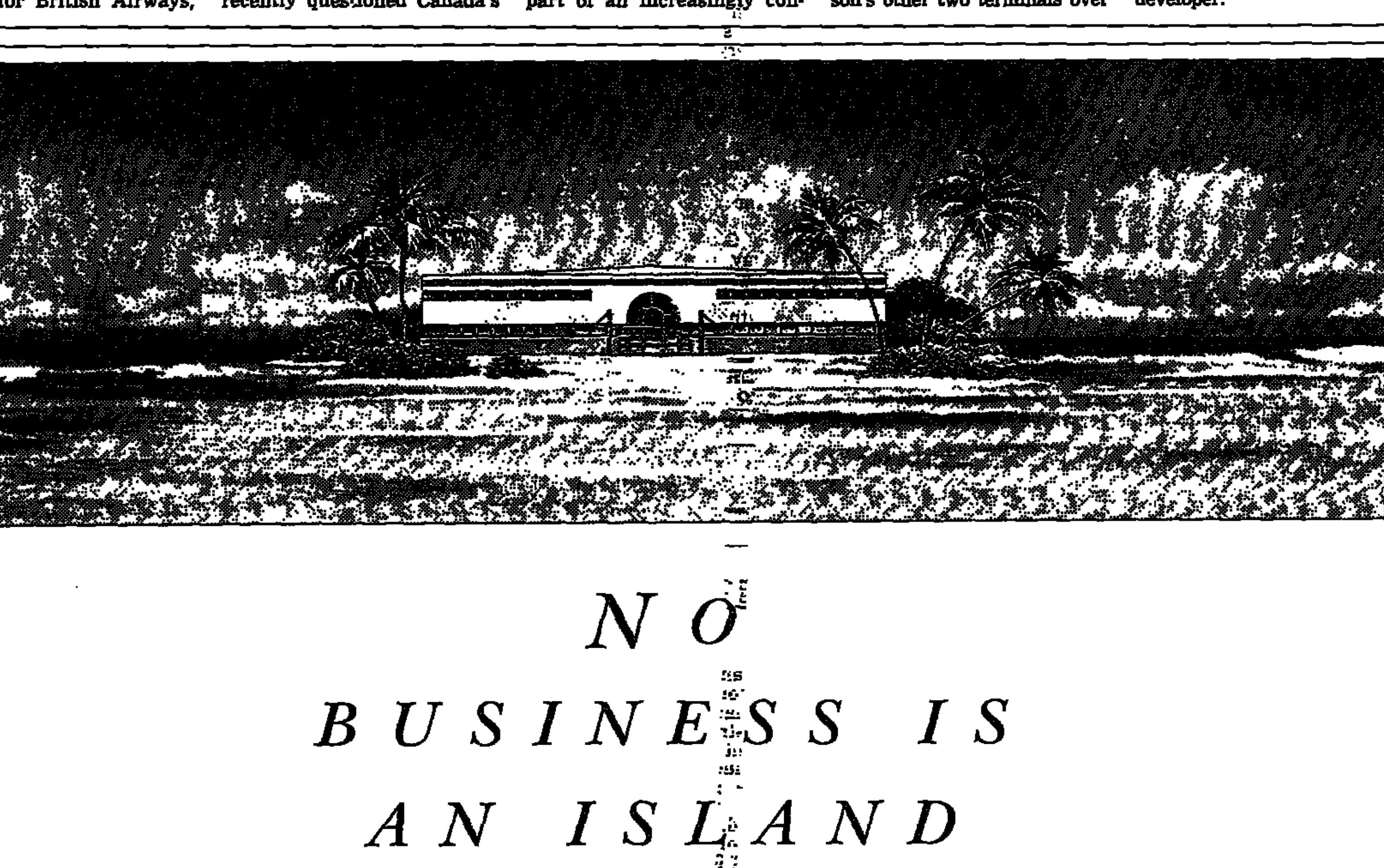
No. 008108 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court

In the matter of Authority Investments Plc
and
In the matter of the Insolvency Act 1986

Notice is hereby given pursuant to Section 23(2)(b) Insolvency Act 1986 (Rule 2. 17) to shareholders, members and contributors of Authority Investments Plc that a copy of the Joint Administrators' proposals and report prepared in accordance with the Act may be obtained free of charge by application in writing to joint administrators, M A Jordan and R M Addy, Cork Gully, Shelly House, 3 Noble Street, London EC2V 7DQ.

CROWN STEELS LIMITED

Registered number: 1137568
Nature of business: Steel Stockholders and Processors
Trade classification: 07
Date of appointment of joint administrative receivers: 12 February 1991
Name of person appointing the joint administrative receivers: National Westminster Bank plc
JOHN FREDERICK POWELL and DAVID J CORNEY
Joint Administrative Receivers
(Office holder nos 249 and 61) of Cork Gully
43 Temple Row
Birmingham B2 5JT



UK expects to place order for 50 helicopters

By David White

THE Ministry of Defence expects to place its first production order for the UK-Italian EH101 helicopter by December after a two-year slippage in the project, the House of Commons defence committee heard yesterday.

The order for the first 50 EH101 Merlins for the Royal Navy has been anxiously awaited by Westland, the UK partner, which has been starved of new helicopter orders.

Bids by two rival consortia to take over overall responsibility for the anti-submarine helicopter and its systems are due next week with a decision expected in July. A British Aerospace (GEC) team is competing with one comprising IBM of the US and Westland.

The MoD, said the bidders had been asked to provide "costed options" for ways of "shaving down" the helicopter's performance to ensure it was affordable. Development and initial production costs are estimated at £2bn.

Officials told the committee the size of a second tranche of Navy orders, originally foreseen as involving 24 helicopters, was under review.

The committee was told that orders for another £2bn programme, for anti-tank helicopters, would be placed directly with foreign manufacturers, although other UK companies might participate.

The choice will be between the Franco-German Tiger, now under development, and a version of the US AH-64 Apache, currently in use in the Gulf.

A new UK performance target for the combat helicopter was expected to be ready around the middle of the year, the officials said. The helicopter choice would have a strong bearing on the future of the long-range Trigat anti-armour weapon programme, in which the UK is a partner with France and Germany.

The Franco-German helicopter would carry Trigat. But the MoD was looking at two options for the Apache, either adapting it to the European weapon system, or fielding it with US-designed Hellfire missiles.

Leaked papers signal closure of naval base

By Ralph Atkins

LEAKED documents which set a possible timetable for closing the Rosyth naval base in Scotland with the loss of up to 2,300 civilian jobs provoked a political row yesterday as the government insisted a final decision had yet to be taken.

Labour accused Scottish ministers of neglecting the region's interests and of being left out of decision making. Mr Gordon Brown, opposition spokesman on trade and industry, also claimed the documents showed the transfer of facilities to other bases would increase costs and duplicate resources.

Government ministers, clearly embarrased by the leak, admited closure was being considered. But they insisted all the implications would be reviewed and that the Scottish Office and Ministry of Defence were in close contact.

Mr Brown published three sets of leaked documents – the terms of reference of a group set up to advise ministers on possible closure, a timetable drawn up for announcing the decision and a letter from a naval commander.

The timetable sets February 25 as the deadline for completing the report by the "Rosyth options study group." On March 19, the Navy board would receive the report for a decision. The decision would be approved by ministers on March 28.

Mr Brown said the timetable showed the Scottish Office would be informed only two or three days before the decision was announced - unless a parliamentary statement was to be made in which case the Scottish Office would have only 24 hours.

The letter from Commander Michael Livesay says that many of those employed at the base would find it "very hard" to move to the south of England if facilities were transfered.

"If we close Rosyth we are in danger of losing a large number of good people . . . I am very concerned at the possible run-out of experienced men who include officers and senior and junior ratings," the letter says.

Mr Brown said the Scottish Office should "put their weight" behind the campaign to save the base. He and local councillors met Mr Allan Stewart, Scottish Office minister, yesterday to urge him to lobby for keeping the base open.

But after the meeting, Mr Stewart said: "No decisions have been taken" and that Mr Ian Lang, Scottish secretary, and Mr Tom King, defence secretary, were "in close touch over this."

The minister said the government "fully recognise the implications which closure of Rosyth would have for employment in the area. Those implications would be fully considered and examined before any such decision could be taken."

On BBC Radio, Mr Archie Hamilton, defence minister, said it was not yet clear that Rosyth was going to close "but we are certainly looking at that possibility."

Asked whether there was to be a meeting of the Navy Board on March 19 to approve closures, he said: "These are all confidential documents and it is very unfortunate things have to be discussed in the open."

Chieftain's follower awaits the end of war

Vickers, General Dynamics, Giat, and Krauss Maffie must wait a bit longer to discover the UK government's choice for the next army tank, reports Paul Abrahams

THE BRITISH Government's decision earlier this week to postpone replacement of the army's ageing Chieftain battletank until after the Gulf conflict provoked little surprise in the City of London.

"It's inconceivable that the government would come to a conclusion about what tank it wants for the next 30 years, only days before what is likely to be the largest tank battle in 50 years," said Mr Sash Tusa, defence analyst at Robert Fleming Securities.

"It would be highly foolish to take a decision without the benefit of seeing the armour in action."

The announcement was a blow for Vickers, the British group which is the leading competitor for the Chieftain replacement. It called the decision "frustrating."

The company's Challenger 2 tank is competing for an order of between 300 and 400 vehicles against the M1A2 Abrams manufactured by the American group General Dynamics, the Leclerc produced by Giat of France and the Leopard 2 built by Krauss Maffei the German company.

However, Vickers' chances of picking up the contract, when it is finally announced, are greater than they were 12 months ago, according to analysts.

Challenger 2: Vicker's hopes it can secure the order against foreign competition.

The political arguments for buying from Vickers could be considerable. A report published yesterday by the University of York on the economic consequences of the government's decision claimed that if Vickers won a contract for 300 tanks:

- About 108 jobs would be created and 2,400 jobs maintained, more than half of which would be in the north-east of England, an area of high unemployment. Further jobs could be created by exports.
- British industry would earn £250m each year for five years.
- Britain would add £16m to its balance of payments deficit each year, but this could be greatly offset by export orders for the tank.
- The UK would maintain a lead in specialised industrial capabilities, particularly in power systems, heavy armour plate and integrated fire control systems.

In addition, the opposition from the army which has, in the past, been less than enthusiastic about Challenger 1, appears to be in the process of being alleviated by the performance of Challenger 1 in the Gulf which has been better than expected.

The tank's reliability, which was always a problem in West Germany, has improved markedly. There have been claims that cutbacks of spares during the 1980s adversely affected the vehicle's reliability. It is now consistently achieving availability rates of more than 90 per cent in Saudi Arabia, according to the company.

The additional practice permitted in the desert has also improved the accuracy of the tank's fire power - an area that had previously created some controversy. Challenger 2 has the same chassis as Challenger 1, but a completely new turret and high-pressure gun to counter new types of armour.

Moreover, the contract is not as vital to Vickers as it would have once been. Vickers has diversified its automobile, medical engineering and marine engineering divisions in recent years, so that armoured vehicle construction represents only about 10 per cent of the group's profits.

"The downside of the tank business was never that great for Vickers," explained Mr Simon Roberts, engineering analyst at Schroders Securities, the London stockbrokers. "But the upside was considerable."

The main danger for Vickers of the delay is that it may damage its ability to win export orders.

The company claims it is already lined up for a substantial Challenger 2 order once the British government makes an order. Such orders, with high margins, could become extremely lucrative, according to Mr Roberts.

In the meantime, followers of the company will be awaiting a statement on Monday from Sir David Plaistow, the company chairman, when the interim results are announced. Indeed, analysts may well be more interested in how sales of the company's Rolls-Royce car division is doing in the US rather than how its tanks are performing in the Saudi desert. Last year, it represented 45 per cent of operating profits. Sales in the UK are down 65 per cent and are understood to have plummeted in the Americas.

Government may be forced to maintain some export cover

By Ralph Atkins

A REVOLT by Conservative MPs yesterday appeared likely to force the government to offer insurance on exports to politically uncertain countries for three years after the privatisation of the Export Credits Guarantee Department.

Amid backbench unease about adequate provision of state help for exporters, the government was defeated by eight votes to six during the committee stage of the bill paving the way for privatisation of the ECGD's short-term credit business.

Mr Keith Hampson, the Conservative MP for Leeds North West, who proposed the change, was joined by Labour and Liberal Democrat MPs. One Tory MP deliberately abstained and at least one other was absent.

Although Mr Tim Sainsbury, trade and industry minister, could seek to overturn the vote in later stages of the bill's passage through the House of Commons, the indications last night were that he would seek only modifications to the amendment made.

Ms Joyce Quin, the Labour opposition party's spokesman on the committee, said the government would be unwise to try to reverse the vote. She said the change was "the minimum" the government should do.

The amendment obliges the government, via the part of the ECGD which will remain in the public sector, to provide insurance or re-insurance against "political risk" for a minimum of three years after privatisation is completed.

It would cover exports to countries such as the Soviet Union, South Africa or Hong Kong.

Previously the government had said only that it would keep the system under continuous review.

But this had provoked fears among industrialists and some Conservative MPs that Treasury pressure would curtail support given to exporters.

EC freedom sought for financial advisers

By Ivor Owen, Parliamentary Correspondent

BRITAIN would seek to ensure that new European Community regulations did not "squeeze out" independent financial advisers, Mr John Redwood, the corporate affairs minister, told the House of Commons yesterday.

He said negotiations were continuing over the level at which exemptions should apply under the Investment Services Directive and the Capital Adequacy Directive.

Britain hoped to see more exemptions than was currently envisaged, although securing agreement might be difficult, and the final outcome would be decided by qualified majority voting.

Referring to the "passport" in the directive, the minister said the government would like to see independent financial advisers taking advantage of it across the board if the capital requirements were sensible.

He confirmed that the government had recently put forward a paper on equity positional risks and interest rate risks.

Mr Redwood stated, "We are negotiating on these proposals together and consulting widely with the industry concerned, and we wish to see the principal established that capital should be related to the risks being run."

He called on Ms Marjorie Mowlam, Labour spokeswoman on city affairs, to withdraw her recent accusation that Fimbra (Financial intermediaries, managers and brokers regulatory association) was in danger of bankruptcy. He said Fimbra had cash in the bank and a budget planned for 1991-92 which meant that its costs should not exceed its revenue.

هكذا امن الاجل

The man from Del Monte he say "Oi."

Enough is enough. It's time all the confusion about who owns us was cleared up once and for all. There are two companies called Del Monte.

One is PPI Del Monte Fresh Produce BV, currently owned by Polly Peck International. The other is us, Del Monte Foods International Ltd., (as in the man from Del Monte). We're the ones who bring you all those delicious fruit juices and canned fruits. And we're a totally separate company, owned by management, employees and a group of investors led by members of the Charterhouse group.

In other words, there is no connection between us and Polly Peck.

Del Monte Quality

Del Monte Foods International Ltd., Del Monte House, London Road, Staines, Middlesex, TW18 4JD, England.

UK NEWS

Sparks fly as electricity price rises are finalised

Juliet Sychrava on the background to the first increases since the supply companies were privatised

ELECTRICITY prices are about to go up by more than 10 per cent and the sparks are already flying between the government, the regulator and the electricity industry.

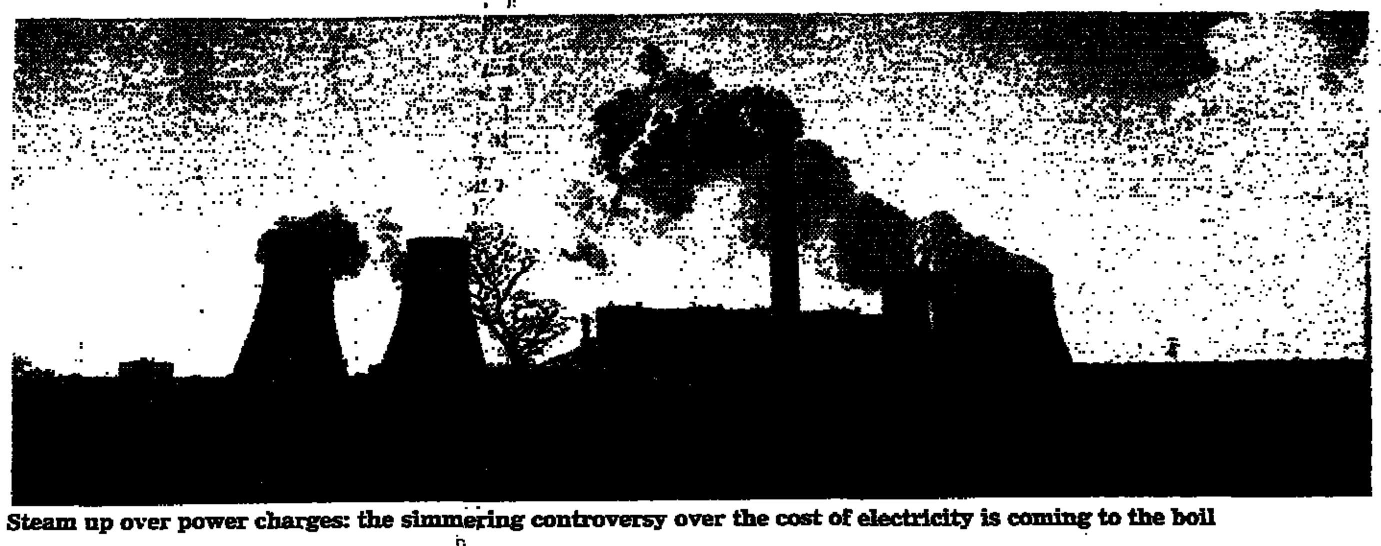
Over the next few weeks, as regional electricity companies finalise increases for the next year, the controversy over prices, which has been simmering since the industry was restructured early last year, will come to the boil.

Estimates of the price rises to come on April 1 outstrip government forecasts made last March. Then the government said that average increases to consumers using less than 1MW a year, which includes most businesses and all domestic users, would be around 9 per cent.

It said prices for large industrial customers, of which there are between 4,000 and 5,000 in the UK, would become more competitive.

Now the large industrial electricity users - those taking more than 1MW a year - could face increases of up to 25 per cent. Customers taking under 1MW may see prices rise by 10 per cent or more.

No one who read between the privatisation lines will be surprised. Prices to large industrial consumers have been pegged below inflation for some years, under government capping schemes. When the present scheme lapses at the end of March, prices are bound to increase.



Steam up over power charges: the simmering controversy over the cost of electricity is coming to the boil

The most vocal objectors to price increases are the large industrial consumers who negotiate their bills directly with their supplier. One said: "It seems extraordinary that the regulatory formula can allow these kind of increases at a time of recession."

However, their protests have *so far fallen on deaf ears. Prof* Stephen Littlechild, the industry's regulator, has no brief to interfere in the price negotiations and the government has rejected pleas for a price freeze.

Many of the separate charges which make up a large user's bill will rise in April: the charge for using the national grid will rise by 16.5 per cent and the nuclear levy will rise from 10.6 to 11 per cent.

Another important component of the final bill is the pool, or spot price of electricity.

This could rise from the 1.7p per kilowatt hour it has aver*aged for most of the present* financial year.

So far, the generators are known to have sold some contracts for the coming year at 2.4p and possibly some just below.

Many large users feel this is far too high relative to the present pool price. The differential between the two should close over the next few years. Stockbroker Phillips & Drew believes that by 1993 pool prices and contract prices will converge.

Meanwhile, all that the militant large users can do is take out pool-linked contracts with regional electricity companies, *although few have so far taken* that risk.

The regulations covering the prices to be charged to small users are more complex. The 12 electricity companies must submit their new prices to the watchdog, the Office of Electricity Regulation (Offer), early next month - 28 days before the price rises come into effect on April 1.

The mechanism built into the electricity companies' licences at the time of privatisation allows them to compensate in their price levels for any underestimation of their costs in the previous year. For example, if their inflation forecast was wrong they can, if they choose, recover that shortfall in the next year.

Last year, charges were based on government forecasts for inflation to October 1990 of 6.0 per cent. In fact, inflation was 10.9 per cent. Increases could be around 13 per cent from some regional electricity companies which have the option to increase their prices by up to another 2.5 per cent, to compensate for relatively low growth.

Prof Littlechild can invoke a special price cap which states that each company "must use its best endeavours" not to exceed cumulative inflation since 1989.

How he will interpret "best endeavours" is not yet apparent, although the privatisation prospectus stated that where a company incurred unforeseen costs, this cap could be waived.

The likely maximum increase under this price cap would be around 11.3 per cent, assuming 6 per cent inflation for the year to October, Offer says.

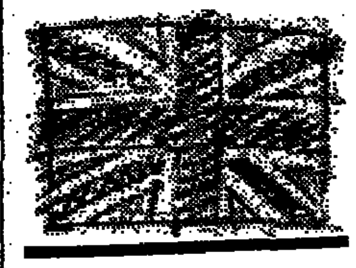
Any row over price increases may blow over by the end of April but underlying it is a problem that will take longer to resolve.

The two generators, National Power and PowerGen, still have considerable control over the price of electricity.

Last March the government said: "There will be no price regulation of generation in future, since the introduction of competition in generation will put a downward pressure on these costs."

How, when and whether this will happen is not yet clear.

BRITAIN IN BRIEF



UK will bar challenges to merger policy

Legal challenges to the government's policy on mergers by foreign state-owned companies would fail, a senior department of trade an industry official has told a Commons committee.

Mr Robin Mountfield, a deputy secretary at the DTI, told the trade and industry committee that Mr Peter Lilley, the trade and industry secretary, took legal advice before his decision last July to take a tougher stand on foreign state-owned companies buying British concerns.

Peter Lilley: took legal advice on tougher stance on foreign state mergers

He said the government was confident that it would win in court if its new merger policy was challenged.

It was consistent with new European Community rules governing mergers in the EC because it was non-discriminatory, according to Mr Mountfield.

Since 1984 the government has referred company takeovers to the Mergers and Monopolies Commission almost exclusively on competition grounds but in July last year Mr Lilley altered that policy to include mergers where the bidder was a state-owned company.

Building trade orders decline

Orders received by contractors last year tumbled by 17 per cent from £27.14bn to £22.47bn, according to the Environment Department, with the pace of decline increasing.

Contractors received orders worth £4.73bn during the three months to the end of December, almost 24 per cent lower than the £6.2bn worth of orders received in the same period of 1989 and the Builders Merchants Federation said sales of building materials in December had fallen by 10.8 per cent. Lex, Page 14

ICI to shed 250 jobs

Imperial Chemical Industries is to shed 250 jobs at the Grangemouth ICI plant in central Scotland, as part of the rationalisation of its textile dye production.

Some older plant technology at the Grangemouth site, which employs 1,450 workers, is to be scrapped.

ICI said demand for traditional anthraquinone dyes had fallen as they were replaced by more cost effective products requiring fewer production sites.

£450m flood protection plan

Nearly £450m needs to be spent on flood protection in eastern England within 10 years, the National Rivers Authority says.

Regional flood defence committee chairman John Martin said most of the money (£339.7m) would be aimed at sea and tidal defences, with the remainder (£107.3m) spent on river flood defences and flood warning systems.

Tarmac gets Tunnel contract

Construction company Tarmac has been awarded part of a £70m contract to instal railway track in the Channel Tunnel. Tarmac will be paid £15m for its part in a three-nation consortium to fit more than 100 kilometres of track inside the two main tunnels. Leading the joint venture will be French construction company Montcocol. With Tarmac they will be joined by two other French companies, Boric SAE and Travaux de Sud Ouest, and German-based Heitkam.

BAA accused on prices...

Regional airlines attacked the pricing policies of airport operator BAA, formerly British Airports Authority, warning they were undermining the UK aerospace industry and damaging regional economies.

BAA, which operates Heathrow and Gatwick, London's two main international airports, implemented "persistently and continuously discriminatory" charging policies against regional carriers at those airports, the European Regional Airlines Association told the Monopolies and Mergers Commission, the monopolies watchdog.

...as London's air traffic falls

The number of passengers using Heathrow and Gatwick airports in the fourth week of the Gulf war was down 26% compared with the same week last year.

Airports operator BAA said Heathrow numbers fell 28% and Gatwick 20%. But it added the figures were about the same as they had been in the weeks since hostilities started.

Action urged on job blacklists

All people denied jobs with an employer because they appear on political blacklists should have the legal right to see any information about them supplied by outside agencies, a House of Commons committee has recommended.

The select commitee on employment said it was concerned about the activities of bodies such as the Economic League which supply blacklists of employees who belong to political groups which may attempt industrial subversion.

The Economic League holds a blacklist of about 10,000 people who it believes "belong to revolutionary organisations dedicated to undercover subversion of industry."

No redundancies at Scots bank

Bank of Scotland told its 15,000 staff that it would not be making any redundancies in a belt-tightening programme aimed at reducing costs.

Mr Peter Burt, treasurer and chief general manager, said the bank was determined to achieve the reduction in costs "without resorting to the extreme measures of other banks."

Staff reductions will occur through natural wastage.

Porter resigns as poll tax set

Westminster city council leader Dame Shirley porter, announced a planned community charge, or poll tax, of £176 for the next financial year, one of the lowest in the country.

Dame Shirley: resigns as Westminster council head

At the same time, Dame Shirley, leader of the council for the last eight years, announced she would not be seeking re-election when her term of office ends in April. She is to continue as a councillor and will put her name forward as Lord Mayor of Westminster next May.

Dame Shirley became a controversial figure by adopting Thatcherite policies at Westminster, where more services were put out to tender than any other council.

Money supply

M0, the narrow monetary aggregate which is targeted by the government, increased at a higher than expected annual seasonally adjusted rate of 3.5 per cent in January, compared with 2.7 per cent in December, according to Bank of England figures.

UK food deficit

The UK imported £5.1bn more food and drink products than it sold abroad in 1990, so that the sector accounts for nearly a third of the country's £16.1m current account deficit, Food from Britain, the export promotion body, has said.

The food and drink deficit grew 9 per cent last year, surpassing motor vehicles as the largest contributor.

CINEMA

The Pooters of Kansas

MR AND MRS BRIDGE
James Ivory

PACIFIC HEIGHTS
John Schlesinger

THE RUSSIA HOUSE
Fred Schepisi

TILAI
Idrissa Ouedraogo

MEET THE APPLEGATES
Michael Lehman

We all know the case for the prosecution against James Ivory's films. Watching *A Room With A View* or *Maurice* or the new *Mr And Mrs Bridge*, the filmgoer can die of an overdose of good taste. The victim's doctor would shine a torch in his lifeless retina, see there the fixed reflection of early-century elegance and pronounce death by gentility.

Yet there *is* also a case for the defence: Ivory at best can be a master at conjuring secret life from potentially sedative images. *Mr And Mrs Bridge*, based on two companion novels about a Kansas City couple by Evan S. Connell, sprawls demurely across the 1930s and '40s. Paul Newman and Joanne Woodward are the duo steering their marriage through the storms of a changing America. Children rebel, elope or go off to war; friends die or take to drink; fashions and passions change.

Their own frail serenity becomes a centre around which life with a capital L rages. In one funny, suspenseful scene they dine on alone in a smart restaurant while a sky-blackening tornado tears at the windows, driving everyone else to the basement. *Plus ça change*, says the film, *plus* Mr and Mrs Bridge stay imperturbably the same.

That tornado, in different forms, rages at them throughout the film. Neither spouse has any idea of how to deal with human passion. Newman, a domestic Woodrow Wilson in rimless glasses, barely bends from the perpendicular except to read his newspaper. (His opinion of the French on a trip to Paris is brief and damning: "Three-hour lunches and they hang around these cafés all night"). And Joanne Woodward's superbly dithery Mrs B, voice tinkling like a crystal goblet, aims her disordered emotions at anything that moves: notably suicidal best friend Blythe Danner, who has caught a bad case of existential torment. "What's it all for?" wails Miss Danner, demanding an answer to the universe when her listener can barely understand the question.

Brilliantly scripted by longtime Ivory collaborator Ruth Prawer Jhabvala, the film gives us suburban serendipity shot through with cosmic despair. While a world war comes and goes, the Bridge boy grows up and has girl problems and the Bridge girl grows up and has boy problems. (To Dad's horror, she becomes engaged to a plumber's son.) And when Mr Bridge's own secretary declares her secret love for him, his behavioural computer, programmed for placid propriety, sputters, stutters and all but implodes.

Exquisite in its command of place and period, this is a movie about people with small horizons. What raises it from the trivial to the tragicomic is that those small horizons are willed. Mr Bridge has chosen the blinkered life. His wife, with some bleats of protest, has joined him. And together two good people who might also have been two spontaneous and warm-blooded people become part of that formidable American beast, the silent majority.

★

Born fifty years later, Mr and Mrs Bridge might have been two unkempt house-owning yuppies like Melanie Griffith and Matthew Modine in *Pacific Heights*. If so, how would they have dealt with rogue tenant Michael Keaton, who terrorises the couple from his studio flat in their San Francisco dream-home? Keaton, a wealthy psychotic, fails to pay rent, makes round-the-clock drilling and hammering noises, breeds cockroaches, bars his door against entry, and sometimes saunters out to offer flowers and get hit on the nose. In the world of American property rental, this film tells us, the law offers little protection to the landlord.

Written by Daniel Pyne from his own experiences (the mind boggles), the film is directed with initial panache by John Schlesinger. For an hour we sit enthralled as Modine and Griffith, their lives turned inside-out by Keaton, gnash their hair and tear their teeth. We shiver at hints of diabolism in Mr Keaton. And we love the sinister shots of the rearing hill outside the house, which Keaton's car emerges over like a beetle over a rock.

Unfortunately the tale comes apart before the close, thanks to some over-cranked old-dark-house suspense and much girl detective nonsense involving Miss Griffith. But by this stage we are so happily spooked that we stay on the ghost train whatever unlikely stations it chooses to visit.

Even at its worst, *Pacific Heights* has more brio than *The Russia House*. This is two hours of none-too-fizzy John Le Carré, decanted into an oversize tumbler by director Fred Schepisi (*Roxanne*, *Cry In The Dark*). On a wide, wide screen we move around Moscow and Leningrad shadowing British spy and ex-publisher Barney Blair (Sean Connery), sent to prise a vital treatise on Soviet arms technology from Russian writer Yuri (Klaus Maria Brandauer). Meanwhile Yuri's beautiful courier (Michelle Pfeiffer) falls in love with Barney and he, heigh-ho, with her.

Screenwriter Tom Stoppard deftly interleaves Le Carré's multiple story elements. Glimpses of electronic surveillance back in London – an Anglo-American spymaster ring led by James Fox and Roy Scheider and graced by a stark-mad Ken Russell – are cut into Russian scenes of suspense or romance. As well as providing a Big Brother undertow, this is the spy tale's witty answer to coitus interruptus. Thrills and heart-throbbing in the USSR must keep stopping to be monitored by HQ in the UK.

Unfortunately the coitus here never lasts long enough to be interruptus. Mr Connery, splendid early on as Blair, a whisky-weathered cynic tousled of mind and hair, is transformed too swiftly into the perfect spy; Miss Pfeiffer is a pretty cipher with an accent; and the amorous sparks they strike together would barely ignite a Guy Fawkes sparkler. Moving these underwrought and over-programmed characters through their travelogue cityscapes, a film that starts wittily as a *glasnost* tale seen through a whisky-glass darkly turns into a pub crawl through such overfamiliar spy stop-offs as "The Disenchanted Double Agent" and "The Defector's Arms."

★

Tilai is a wonderful African movie, whose impassivity and dark grace are as close to ballet as to cinema. Director Idrissa Ouedraogo's first film *Yaaba* put Burkino Faso on the movie map; this new film provides a whole contour-study of mores and emotions among a group of desert tribespeople. Two lovers decide to elope when the girl is threatened by an arranged marriage to her lover's grizzled, white-haired father. Only question: whither to elope? There are few enough hiding-places in the desert, a wilderness of tawny earth and trees like agonised hand gestures.

Doom beckons. But the film's slow, stoical pulse is hypnotic. So is the comic gravity of the acting (mostly by members of the Ouedraogo family) and the director's flair for turning mud-hut villages into an echo-chamber for dialogue of a simple, Racinian grandeur. "My son, lie down, go to sleep," says a mother to a worried boy; "That's how the world is made." In a place where the sun creates a vast, flat, copper-hued crucible by day and a shadow kingdom of primitive enchantment by night, people speak – and no wonder – as if time, truth and feeling have just been invented.

★

The opening image of Michael Lehman's comedy *Meet The Applegates* is a high-speed crane-shot that soars into the sky, stops suddenly and glowers down on a razed section of the Amazon rain-forest. The shot does two things at once. It sets up place and premise: a family of giant Brazilian bugs are about to turn into humans and re-locate vengefully in American suburbia. And it symbolises the excessive speed with which this movie left the drawing-board for the screen.

After Lehman's nasty-hilarious debut *Heathers*, this is a witty plot idea in search of further development. Ed Begley Jr and Stockard Channing twinkle as the parents of the perfect ex-bug American family (betrayed only by a lust for sugar and a fondness for foraging in dustbins); and cannot help guffawing at Spot the Dog, whose insect origins return spectacularly to haunt him. But too much of the film, once suburbia-settled, is slackly plotted and thinly written, just like the apple-pie American sitcoms it parodies.

Nigel Andrews

Joanne Woodward and Paul Newman as 'Mr and Mrs Bridge', top; and Michelle Pfeiffer and Sean Connery in "The Russia House'

The Jewel Box

THEATRE ROYAL, NOTTINGHAM

The *New Grove* Dictionary defines a *pasticcio* as "A dramatic or sacred vocal work ... made up of individual, existing arias, which the librettist put together in a specially-written text", and cites examples dating back to the beginning of the 18th century. In *The Jewel Box*, which Opera North unveiled in Nottingham on Tuesday, Paul Griffiths has set out to create just such a confection out of Mozart's operatic left-overs, and to weave around them a plausible dramatic whole.

Making something substantial and viable out of the tantalising fragments that Mozart left behind – operatic false-starts of his own, numbers omitted from finished scores, additions to the works of other composers, concert arias – is by no means a new idea. Griffiths gets his overture and opening quartet from *Lo sposo deluso*, a torso from 1783, and much of the rest of his first act from arias contributed to operas by Galuppi, Martin y Soler, Cimarosa and others; the second begins with the trio from *L'oca del Cairo*, another abandoned project from 1783, and incorporates several concert arias along the way.

By careful selection the music has been allowed to define its own cast. Mozart frequently wrote for specific singers, so that, for instance, the arias allotted to The Singer in *The Jewel Box* can be those originally written for Aloysia Weber, the Vienna Donna Anna in 1788; all but one of the numbers for The Composer were intended for Louise Villeneuve, the first Dorabella, and so on. That process yields *The Jewel Box*'s cast of seven – four men, three women – each with clearly defined vocal characteristics; all the opera lacks then is a plot, and dialogue to link the numbers.

By compiling an opera around the business of writing an opera, using music intended for other operas, Griffiths ingeniously gives himself a concentric set of dramatic frames: four archetypal characters from opera buffa find that they have run out of music; the Composer is summoned to provide more and is made to realise that there can be more to opera than dressing up and artifice; and eventually the characters too are freed from their two-dimensional existences. With switches between these levels of stage reality, Griffiths can find a place for all his music; arias and ensembles can be sung in quotation marks, as it were, or as part of the main action.

It is a clever conceit, playing with the concepts of reality in a way that recalls Italo Calvino (who, incidentally, made his own performing version of Mozart's unfinished *Zaide*); there are fleeting moments too that echo Calvino's libretto for Berio's *Re in ascolto*. It packs in many allusions, touches on many themes: touches and then moves on, for the references are never too arch or over-emphasised. Griffiths's has designed an elegant, teasing showcase for some delectable Mozart, and I don't think his scenario aspires to much more than that.

The production by Francisco Negrin, designed by Anthony Baker, is suitably dislocated, surreal; it looks frugal but always elegant. What the staging adds to Griffiths' scheme, where the compiler's role ended and the production team's began, is impossible to determine.

It is passingly well cast too, though not with the roster of stylish Mozartians that ideally a piece like this needs to show off its vocal gems: Mary Hegarty as the buffa Pantalone, Pamela Helen-Stephen as a delicious *travesti* Composer, and Jennifer Rhys-Davies as the Singer of opera seria who shows him some of opera's possibilities (in arias of fiendish Queen of Night difficulty) were all first class; the men – Mark Curtis, Quentin Hayes, Stephen Richardson and Barry Banks, the last miming on stage because of vocal problems and his lines sung elegantly from the pit by Philip Sheffiled – rather less convincing. Elgar Howarth's conducting too was a little lumpish and rough-edged.

Even when he switches roles Griffths preserves his music critic's notions of perfection – *The Jewel Box* would sound ravishing sung and played by the Mozart ensemble of one's dreams; in a performance a little short of that it seems just a bit contrived and over-elaborate.

Andrew Clements

Sir Georg Solti

ROYAL FESTIVAL HALL

A minor pleasure of Solti's concert with the London Philharmonic on Tuesday night was the way it incorporated the national anthem into the programme. Since a royal patron was present, it had to be played; and Solti, or somebody, had had the wit to follow it with Haydn's Symphony no. 98, in which the noble Adagio is built upon a version of the same tune.

As usual Solti's Haydn was alert and lithe, if somewhat blander in sound than current fashion prescribes. There *was* a harpsichord, though, to play the little solo passage Haydn wrote for himself in the Finale (the symphony was for one of Salomon's London concerts, and the composer's participation was a commercial bonus) and support the strings throughout, to good purpose. Solti delivered the Minuet with athletic flair, and if the final Presto didn't quite crackle it certainly bubbled. At this conductor's hands nowadays, old Haydn invariably seems benevolent, open, natural – a "nicer" Haydn, so to say, than the the more complicated and knowing *persona* that has recently been thrust to the fore.

The main work, if hardly a greater one, was Bruckner's Second Symphony. Rarely heard in public, it was doubly welcome in a performance so strong, unhesitating and vivid. The cellos and flutes – always crucial in Bruckner – were excellently telling, the brass on best behaviour, the orchestral balance superbly achieved even in passages where Bruckner's conception of it seems rash and optimistic. Solti is of course a master of such things; and his instinctive urgency was of more benefit to this score – over-stretched at an hour's length – than any leisurely dwelling over its most heartfelt paragraphs. In fact there was much beautiful pointing of detail; Solti merely refused to run any risk of droop.

I said "over-stretched", but the trouble (chiefly apparent in the Finale, where the material seems underdeveloped and the amount of stop-go tempts Fate) may rather lie in the trimming: as usual, we heard the slightly abridged Nowak edition. I don't think I've ever heard the original version. It may well be that the work sustains itself better when it retains the deleted links – not an unfamiliar situation, among long pieces which got prudent trimming in their first years. One of these days, it would be good to learn whether the Bruckner Second is one of those.

David Murray

Long Day's Journey into Night

BRISTOL OLD VIC

The vogue for family outings into the classical repertory continues. After the Cusack and Redgrave Sisters it is the turn of the Wests to strut their stuff in Eugene O'Neill's hefty autobiographical drama of dynastic doom. This touring co-production by the Old Vic and the National Theatre lines up the husband and wife team of Timothy West and Prunella Scales behind the Tyrones – ageing matinee idol and his morphine addict wife. It is power casting full of the wrong sort of power, which substitutes an English implosion of the emotions for the maudlin explosiveness of these Irish Americans.

O'Neill's obsession with the ghosts of his own past reached a peak with this 1941 portrait, embargoed until after his death, of a family riven by drug addiction and consumption. The play has a self-indulgent streak as wide as the Mississippi which Jonathan Miller tried to control by running tracts of dialogue simultaneously.

Howard Davies lets it roll in a setting, by John Gunter, of drab darkness punctuated by shafts of light from distant doors. The justification for this is textually well-rooted in the meanness of James Tyrone, which is responsible both for the petty embargo on adequate lighting and, more seriously, for his wife's innocent addiction and the denial to his consumptive son of the best treatment money could buy. But it has the unfortunate side-effect of plunging the actors in a gloom which obscures their facial expression in a way that is both visually dull and psychologically alienating.

In Mary Tyrone, O'Neill sublimates his guilt about his mother's morphine addiction, acquired on doctor's prescription after his own birth. This hauntingly tragic figure is transformed by Prunella Scales into a delicate figurine for too long held in clumsy hands. There is a sadness as the cracks appear beneath the glaze, but there is also a brittleness which obscures the physical desperation of a woman who would rather thump her sick son than accept the truth about his condition.

Timothy West draws her husband with a compassion for the clumsy patriarch who is to some extent author of his his own misfortunes, but his persona – bulldoggish, bent and growling – is too deliberate and controlled to capture the crashing contradictions of the star actor turned domestic tartar. West has charisma alright, but it is of a thunderous, unsexy kind that has more in common with Victorian England than 20th century America.

The younger generation fare rather better, with a pallid and self-lacerating consumptive from Stephen Dillane offset by a vicious performance from Sean McGinley. This Irish actor has a dangerous quality well suited to the mercurial, overdrinking Jamie, whose climactic speech of love and hate for his brother, for all its rambling indulgence, is one of the theatre's most seering expressions of the ties that cut as they bind.

Claire Armitstead

French song

ST JOHN'S,SMITH SQUARE

This was the Welsh instalment in the series devoted to French song that has been running through the winter at St John's. A good-sized audience had turned up to see Della Jones and Bryn Terfel, fascinated no doubt to see what would happen when one applies generous Welsh voices and personalities to this most intimate of art forms.

The series has been devised by the accompanist Malcolm Martineau. To instil the right sense of style into a dozen or so British singers with little known track record in the genre must be a daunting task, though his own well-judged playing gives an idea of the guidance he may provide.

It would be foolish to suggest that what we heard on Tuesday could be mistaken for the idiomatic singing of Debussy and Poulenc that one might hope to hear from native French-speaking artists. The words were not always spoken clearly. Several of the small cycles were over-sung and over-interpreted. But on the most important point of all both singers crucially had the right idea: they wanted the music to communicate.

Bryn Terfel started with three early Debussy songs, showing off the fine resonance of his voice, if not much specific regard for the poetry. Poulenc's *Chansons villageoises* were too rumbustious for their own good. His best rather came later in the four Don Quichotte settings by Ibert, intended for Chaliapin, where the chivalrous strength and the dulcet romantic sweetness alike were well caught in the singing.

In Debussy's *Proses lyriques* Della Jones also sought out new colours in her voice that we do not know from her Rossini and Handel, a luminous sheen for the "moon of gold", a softness for "night with velvet steps". The more approachable idiom of Poulenc's *Banalités*, though, suited her better and she really came into her own with Satie, her Diva de l'Empire strutting proudly,teasingly, vulgarly, along Piccadilly.

There are two more recitals left in the series, one each in March and April.

Richard Fairman

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in Escher, Mozart and Schumann, also tomorrow and Sun. Sat: Edo de Waart conducts Netherlands Radio Orchestra in concert performance of Die Walküre (718345)
Beurs van Berlage 20.15 Lukas Foss conducts Netherlands Philharmonic Orchestra in music by Ives, Tchaikovsky and Foss, with Miriam Fried soloist in Prokofiev's Second Violin Concerto (270466)

■ BERLIN

MUSIC
Deutsche Oper 19.00 Götz Friedrich's production of Le nozze di Figaro with Marie McLaughlin as Susanna (3410 249)
Komische Oper 19.30 Harry Kupfer's production of La bohème. Tomorrow and Sat: Kupfer's production of Die Zauberflöte (2292 555)
Philharmonie Kammermusiksaal 20.00 James Levine conducts Mozart and Haydn with Berlin Philharmonic Orchestra. Also tomorrow and Sat (2614 383)
Berliner Ensemble 19.00 The Threepenny Opera. Sun: Mother Courage (2827 712)
Deutsches Theater 19.30 Ionesco's The Bald Prima Donna (2871 225)
Maxim Gorki Theater 19.30 The Cocktail Party by T.S.Eliot (2082 748)
Schaubühne 19.30 Luc Bondy's production of The Winter's Tale. Also tomorrow and Sun (890023)
Schiller Theater 19.00 Goethe's Faust (3195 236)

■ BRUSSELS

Palais des Beaux Arts 20.00 James Galway is soloist in a programme of music by Mozart, Bach and Stravinsky with Belgian National Orchestra conducted by Ronald Zollman (507 8200)
Monnaie 20.00 Jenufa with Linda Plech in title role and Anja Silja as Kostelnicka, also Sat (219 6341)

■ CHICAGO

Orchestra Hall 20.00 Andras Schiff is conductor and soloist with the Chicago Symphony Orchestra in an evening of Bach concertos and orchestral suites. Repeated tomorrow at 13.30 and Sat at 20.00. Sun at 15.00 piano recital by Emanuel Ax (435 6666)

■ DRESDEN

Kulturpalast 20.00 Siegfried Kurz conducts Dresden Staatskapelle in music by Brahms and Richard Strauss, with Garrick Ohlsson soloist in Beethoven's Piano Concerto No 4. Also tomorrow (4866 286)

■ FRANKFURT

Alte Oper 19.30 Eliahu Inbal conducts Frankfurt Radio Symphony Orchestra in Tchaikovsky's Sixth Symphony, with Maria Tipo soloist in Chopin's Piano Concerto No 2. Repeated tomorrow (1340 400)

■ GOTHENBURG

Konserthus 19.30 Neeme Jarvi conducts Gothenburg Symphony Orchestra in Bartok's Concerto for Orchestra and Sibelius' Lemminkainen Legends. Also tomorrow at 18.00 (167000)

■ THE HAGUE

Danstheater 20.15 Premiere of new ballet by Paulo Ribeiro, also In and Out by Hans van Manen and Step Lightly by Paul Lightfoot. Repeated tomorrow and Sat (360 4930)

■ HAMBURG

Staatsoper 19.00 Karita Mattila sings Tatiana in Eugene Onegin, conducted by Gerd Albrecht, also Sun. Tomorrow: Werther. Sat: Lady Macbeth of Mtsensk (351555)
Deutsches Schauspielhaus 19.30 Dostoyevsky's The Idiot. Tomorrow: Goethe's Torquato Tasso directed by Hans Neuenfels (248713)

■ LEIPZIG

Opernhaus 19.30 Carmen. Tomorrow: Fidelio. Sat: Entführung (7168 273)
Gewandhaus 20.00 Kurt Masur conducts Gewandhaus Orchestra in Prokofiev's cantata Alexander Nevsky and Britten's Phaedra, with Heinrich Schiff soloist in Lutoslawski's Cello Concerto. Also tomorrow(7132 252)

■ LONDON

MUSIC
Covent Garden 19.30 Samson et Dalila conducted by Jacques Delacote, with Carreras and Baltsa. Repeated Mon (240 1066)
Coliseum 19.30 Revival of Jonathan Miller's production of The Turn of the Screw with Eilene Hannan as the Governess. Also Sat (836 3161)
Royal Festival Hall 19.30 Yuri Temirkanov conducts Royal Philharmonic Orchestra in Borodin's Polovtsian Dances and Mussorgsky's Pictures from an Exhibition. (928 8800)
Barbican Centre 19.45 Michael Tilson Thomas conducts London Symphony Orchestra in Royal Philharmonic Society music awards concert, with Moura Lympany soloist in Liszt Piano Concerto No 1. Sat: Richard Hickox conducts Britten's War Requiem. Sun: Halle Orchestra play Brahms, Debussy, Ravel (638 8891)
THEATRE
This week's shows include The King and I starring Susan Hampshire (Sadler's Wells), Pinter's The Homecoming directed by Peter Hall (Comedy), What the Butler Saw by Joe Orton (Wyndham's) and Andrew Lloyd Webber's latest musical Aspects of Love (Prince of Wales). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

Staatsoper 19.00 Le nozze di Figaro conducted by Wolfgang Sawallisch, with Felicity Lott as the Countess. Sat: Entführung. Sun: Götterdämmerung (221316)
Philharmonie 20.00 Jorg Faerber conducts Württemberg Chamber Orchestra in music by Haydn, Beethoven and Mozart (48098 614)
Herkulessaal der Residenz 20.00 Deutsche Kammerphilharmonie plays music for chamber orchestra by Webern and Beethoven (299901)
Kammerspiele 19.30 Ibsen's The Lady from the Sea directed by Thomas Langhoff (23721 328)

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Franz Welser-Moest makes his New York Philharmonic debut conducting symphonies by Mozart and Mendelssohn, with Maxim Vengerov soloist in Tchaikovsky's Violin Concerto. Also tomorrow at 14.00, Sat and Tues (874 2424)
Carnegie Hall 20.00 Pierre Boulez conducts Ensemble InterContemporain in music by Nono, Ligeti, Webern and Boulez. Sat: Christoph von Dohnanyi conducts the Cleveland Orchestra. Sun: recital by Samuel Ramey (247 7800)
Metropolitan Opera 20.00 Fidelio with Gary Lakes as Florestan. Tomorrow: Le nozze di Figaro. Sat: Luisa Miller (362 6000)
DANCE
New York State Theatre 20.00 New York City Ballet programme includes Balanchine's Concerto Barocco, music by Bach, plus three other works (870 5570)
THEATRE
This week's shows include Fiddler on the Roof with the Israeli actor Topol as Tevye (Gershwin), Stephen Sondheim's latest musical Assassins (Playwrights Horizons) and William Finn's musical Falsettoland (Lucille Lortel). Ticketron (246 0102) answers *inquiries and sells tickets*

■ PARIS

Palais Garnier 19.30 Iphigenie en Tauride: first of three evenings with Tanztheater Wuppertal directed by Pina Bausch (4742 5371)
Théâtre des Champs-Elysées 20.30 Zoltan Pesko conducts Orchestre National de France in music by Ives, Carter and Druckman. Tomorrow: Elliott Carter concert (4720 3637)
Salle Pleyel 20.30 Semyon Bychkov conducts Orchestre de Paris in Shostakovich's Tenth Symphony and Mendelssohn's Concerto for Two Pianos, with Labeque sisters (4563 0796)

■ VIENNA

Staatsoper 19.00 Die Zauberflöte. Tomorrow: ballet triple bill. Sat: L'Elisir d'Amore. Sun: Gwyneth Jones sings Fidelio (51444 2960)
Konzerthaus 19.30 Georges Prêtre conducts Mendelssohn and Richard Strauss with Vienna Symphony Orchestra. Tomorrow: Leonard Slatkin conducts Aaron Copland's Third Symphony with St Louis Symphony Orchestra (7124 6860)
Burgtheater 19.00 Ibsen's An Enemy of the People directed by Claus Peymann (51444 2218)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 Rafael Frühbeck de Burgos conducts Berlioz' La Damnation de Faust with soloists Florence Quivar, Kenneth Riegel and Justino Diaz, also tomorrow, Sat and next Tues. Sun: Cleveland Orchestra under Christoph von Dohnanyi (467 4600)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 International Business report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Tonight - a joint FT/CNN production with a review of the day's major business stories.
2300-2330 World Business Tonight
0100-0130 Moneyline
Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2130 (Wed only) Financial Times Business Weekly - the latest business round-up.

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Tonight - a joint FT/CNN production.
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY
Superchannel
1800-1830 FT Business Weekly
CNN
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
0040-0110 Inside Business

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday February 21 1991

Free trade in chips

THE READINESS of the Bush administration to extend its notorious semiconductor trade agreement with Japan makes it hard to believe that it was ever seriously interested in the Uruguay Round of trade talks.

Signed in 1986 following a spate of anti-dumping and complaints of unfair trade, the semiconductor agreement ranks as one of the most shameful episodes of trade policy during the Reagan years. Not only did it backfire with a surge in prices which upset chip users in the computer industry; it led to an embarrassing finding of price manipulation against Japan by the General Agreement on Tariffs and Trade; and it involved the imposition of unilateral sanctions by the US, which almost certainly contravened the Gatt and have still only been partially revoked.

Dumping not an issue

A US administration that believed in free trade should be glad of the opportunity to lay these memories to rest, especially since all concerned now readily admit that dumping of semiconductors is no longer an issue. Instead, Washington has begun negotiating an extension to the agreement with a new focus on prising open the Japanese market.

Supporters of the extension argue that the Japanese market can only be opened under pressure. The original agreement, which expires in July, aimed to secure a 20 per cent share of the Japanese market for foreign suppliers. Unsurprisingly because Japanese industry is not under state control, it has failed to meet this goal. The share rose only from 8.5 per cent to a peak of 13.3 per cent. Its supporters say a new agreement is needed to prevent even these gains being lost. There is no intention of opening the market exclusively to US producers. It should be possible to reach a new accord that avoids controversial price monitoring and is consistent with the letter of the Gatt.

These arguments do not convince. The present agreement bolstered prices and did wonders for the profits of Japanese producers. It did not save the US D-Ram industry even though some claim it did keep the more specialist Eprom producers in business. The problem facing the US now is that its information technology industry is fragmented. Japan's is stronger because it is vertically integrated.

A new semiconductor pact will not change this. But it will fuel the deluded belief in the US that managed trade is the answer to the Japanese "problem". It will contravene the commitment of all Uruguay Round participants not to increase protectionist measures and to roll back those already in existence. Worst of all, it will attract imitators among manufacturers of other products which happen to find themselves distressed.

It is greatly to Japan's discredit that it can contemplate acquiescing. Japan ought by now to be economically and politically strong enough to rise above its fear of confrontation and its neurotic need for appeasement. There is unlikely to be anything multilateral in practice about a new pact. Japanese companies know the US must be satisfied first if the remaining sanctions are to go. Yet there can be no pretence that sectoral reciprocity is anything other than bad policy. It distorts markets and is a recipe for dwindling prosperity.

The Bush administration is succumbing to a reciprocal approach at a time when it should be redoubling its efforts to keep the multilateral system alive. This confirms the unfortunate way in which its trade policy has been hijacked by narrow private sector interests. Equally worrying, it is also a mark of weakness in confronting the general desire in Congress to punish Japan because of its reluctance to support the allied cause in the Gulf.

Price to be paid

The crude essence of the deal is this: Japan must pay a price, unilaterally determined by Washington, for continued access to the US semiconductor market. Japan has laid itself open to such victimisation in the past. It will probably do so again, but there is no US heroism here for the rest of the world to applaud. Its tactics are more worthy of mafioso racketeers than of the strongest power in the western world and the defender of its liberal faith.

Pay flexibility in a recession

THE BRITISH labour market seems as oblivious as ever to the realities of economic life. The economy is deep in what is now an officially-recognised recession, following two quarters of decline in gross domestic product; unemployment has been rising for 10 consecutive months; and yet pay settlements show no sign of falling. The British labour market seems as inflexible as ever in the face of aggregate shocks to the economy.

The government's labour market reforms have not failed completely. They have succeeded, for example, in making pay relativities more flexible. Wage differentials have widened substantially over the past decade between skilled and unskilled workers, the experienced and the young, and workers in the north and the south.

The government had hoped that these reforms might also allow overall wage inflation to fall faster, and with a smaller cost in terms of unemployment, than 10 years ago. But more flexibility in relative wages does not, it now appears, entail more flexibility in the average wage level.

The opposite may be true. The evidence so far suggests that the reaction of the labour market is at least as slow as 10 years ago. In 1980, average earnings growth peaked during the second quarter of the recession and nine months after the rise in unemployment began. This time average earnings growth has remained stuck at around an annual rate of 9¾ per cent since March 1990. Since that time, unemployment has risen by over a quarter of a million and the economy has probably entered its third quarter of negative growth. Yet there is still no convincing evidence that earnings have peaked.

Compensation sought

Pay bargainers remain more concerned with obtaining compensation for last years's higher than expected inflation, than with delivering sustainable real wage increases as inflation falls. Companies have responded to the decline in demand and contraction of profits by cutting investment, by probably futile attempts to raise prices and by reducing the quantity of labour they employ. As a result, unemployment is quite likely to pass 2.5m by the end of this year, and carry on rising.

In the UK, as is true of the rest of Europe, the vast majority of wages are set by collective bargaining. But in the UK such bargaining is particularly unco-ordinated, and unions remain deeply entrenched in the pay-setting process. In good times, each company has an incentive to offer above average wage increases to attract and motivate its workers. In bad times no company wants to make the first move down, almost regardless of its need to reduce the level of wage settlements. They are unwilling to cut the relative wages of their skilled employees and fear the fierce resistance of their trade unions.

Flexible bargaining

The current recession has now progressed too far for a large rise in unemployment to be avoided. A co-ordinated shift to a flexible form of forward-looking bargaining could have prevented some of this rise. Sadly it was the Confederation of British Industry, backed by the government, which effectively blocked such a move, despite the TUC's qualified enthusiasm. A move in that direction could still do much to reduce the cost of the disinflation that is to come.

Even if nothing is done to minimise the costs this time, the aim of policy must be to remove the need for comparable increases in unemployment in future. A combination of flexible forward-looking wage contracts and greater synchronisation of pay bargaining would reduce the co-ordination problem characteristic of the UK's labour market.

More important still is a macroeconomic policy that will deliver stability and low inflation. The aim of UK's entry into the European exchange rate mechanism must be to end the need for deep government-induced recessions of the kind the UK has now experienced twice in a decade. Inflation must now be lowered to the best European standards and kept down. That way at least the price, which now looks certain to be unnecessarily high, will not have to be paid again.

The government is looking for an honourable retreat from the poll tax mess, says **Philip Stephens**

Tories prepare to sink their flagship

Mrs Margaret Thatcher called it her flagship. A senior member of the cabinet refers to it as an act of "fiscal vandalism". Mr John Major is preparing its demise.

The message reverberating around Westminster and Whitehall over the past few days could hardly be clearer: the government, facing a general election within 16 months, and possibly within four, must scrap the poll tax.

Introduced two years ago in Scotland and last April in England and Wales, the community charge has been the most expensive mistake in modern political history. It has cost the Conservatives hundreds of thousands, if not millions of votes. It has cost the Treasury (finally the taxpayer) billions of pounds. It cost Mrs Thatcher her premiership. It could cost Mr Major the general election.

The government has not yet decided what will replace it; nor the extent to which whatever comes next should retain the still-cherished principle behind the community charge – that everyone should pay something for local services.

But it is hard to find a member of the cabinet who believes that the poll tax can survive in anything like its present form. A majority believe that within the next month or so the prime minister will acknowledge publicly that it should be replaced by some form of property tax.

During the two months in which a committee of senior ministers has studied the alternatives, Mr Major has been careful not to commit himself.

He has instead listened, questioned, probed. He has also made it absolutely clear to his colleagues that the poll tax is one issue on which he is not prepared to delegate decisions.

But as Mr Michael Heseltine, the environment secretary, has presented the options and others – notably Mr Norman Lamont, the chancellor, Mr Chris Patten, the party chairman, and Mr Kenneth Clarke, the education secretary – have added their views, the prime minister has indicated that he is acutely aware of the political risks.

As one insider puts it, Mr Major now accepts, "that we have lost the argument on the poll tax". Whatever its merits or shortcomings, the tax has become an ugly totem, a symbol of everything the voters dislike about government policies.

Mr Major has admitted that there must be something wrong with a tax that starts with the principle that everyone should pay, and ends with a system under which 18m out of 36m have to be offered rebates to damp the political furore.

Nor have the billions of pounds spent in refunds and in additional grants for local authorities – Mr Heseltine added another £1.7bn only last month – staunched the bleeding.

On his trips around the country in recent weeks, Mr Major has been reminded at first hand of the message that panics his MPs. As a confidant puts it: "That's [poll tax] all anybody talks about." The opinion polls tell us what they have been telling him. The latest Gallup survey, taken after the announcement of Mr Heseltine's new rebate scheme, shows that 75 per cent oppose the tax.

More alarmingly, the worst-hit by the switch from domestic rates have been the working class voters in Tory marginal constituencies in the Midlands and in the north of England who ensured the government its sweeping victory in 1987.

One cabinet minister is fond of musing that if Mrs Thatcher had asked the best brains in the country for a precision weapon to devastate her most important supporters they would never have devised anything as lethal as the poll tax.

Even in the staunchly Tory Ribble Valley, where the government is defending one of its strongest majorities, the message from the current by-election campaign is that the poll tax is sapping its support.

Almost every Tory MP has his own scapegoat for the débâcle. Some pour all the blame on Mrs Thatcher. Others say that the poll tax could have worked if, as originally intended, it had been phased in over five years alongside the rates. Others say that spendthrift local authorities should have had their budgets "capped" much more aggressively. Few care to say much now about the principle of local accountability which the poll tax was supposed to inject into local government. No one could have predicted the coincidence of its introduction with a harsh interest-rate squeeze.

But almost all agree on one thing. It is impossible to persuade the electorate that a flat-rate charge at anything like the current level of approaching £400 is fair. Voters simply will not accept that the duke and the dustman should pay the same.

For Mr Major, the conclusion is obvious. With the Gulf war offering the possibility of an extended electoral honeymoon, he has to keep open the option of a general election in June. Awful results because of the poll tax in the local elections on May 2 must not close that option.

So he has to be ready by the beginning of April to tell the voters that the government is prepared if it wins a subsequent general election to replace the sticking plasters of rebates and refunds with a new system of local government finance.

In one respect, there might be an opportunity for the prime minister to salvage political advantage from the wreckage. The poll tax was Mrs Thatcher's tax. By dumping it, Mr Major would reinforce his image as a prime minister with a distinct – and fairer – agenda. As one Tory MP commented this week, "caring Conservatism and the poll tax" are mutually incompatible.

But the risks are far greater. Mr Major's instinctive caution has been reinforced by the view in Downing Street that a pledge to scrap the poll tax is not enough. The voters the government has alienated will have to be persuaded that what replaces it will be fair. "It is no good proposing something that would simply create another set of losers."

At Westminster there are almost as many proposals to amend or replace the poll tax as there are Tory MPs. A diehard few want to tinker with it by exempting working wives, nurses or students. Others say it could be halved if education funding was switched to central government. But most think a much more radical solution – including a shift to a property tax – is essential.

Officially ideas such as a local income or sales tax or a massive switch in local spending to central government are still on the table. But ministers do not regard them as serious options.

For his part, the prime minister so far has been convinced by the argument that the Tories cannot throw away completely the principle that everyone who can afford it should contribute something towards the cost of local government. He is also persuaded that any reform he proposes must be right first time – and packaged as the first stage in a more basic reshaping of local government.

Mr Heseltine's favoured option (a banded property tax based on capital values with a small personal supplement for each individual) is designed to meet the prime minister's fear that a pure property tax would alienate the already restive right wing of the Tory party. Others think if the break is to be made it would be simpler and less politically damaging to abandon the poll tax completely.

Mr Major is determined that this time the government will get it right. It may be the best he can hope for is to get it less wrong than his predecessor.

Options fraught with danger

Richard Evans considers community charge alternatives

The administrative nightmare that the poll tax has become for local authorities is set to continue for some time, whatever the outcome of the government's current review of the financing and structure of local government.

Having gone through the agonies of setting up the community charge, which followed 13 pieces of legislation on local government finance over the past decade, town hall treasurers are now resigned to going back to the drawing board.

Though there is still no confirmation that the community charge will be abolished, or that a revised form of domestic rates will be put in its place, a pattern is beginning to emerge from the tortuous discussions under way within the government and with local authority leaders.

An important priority is to solve the running sore of local government finance that has plagued relations between Whitehall and town halls for more than 20 years. This could involve replacing the present counties and districts by unitary authorities, and cannot possibly be implemented until after a general election.

What is already clear is that two possibilities have been firmly ruled out as impractical. A local income tax would devolve too much power from central government to local authorities and has been vetoed by the Treasury; and a local sales tax is judged not to be feasible in such a small country.

The field has thus been narrowed to reforming the poll tax, substituting it with a new form of property tax, or a combination of both. All the options are fraught with problems.

A property tax could be developed in a number of ways. The old, much-derided domestic rates were based on an assessment of rental value, but the house rental market is now is such a parlous state that this is regarded as an unlikely runner.

A more viable alternative would be a property tax based on capital value, which would have the rough justice of owners of bigger homes in better areas paying more than those in poor neighbourhoods.

There are drawbacks, however. Any new property tax would involve the setting up of new administrative arrangements and a revaluation of every property in the country. This would take months and could involve a lengthy appeals procedure.

The capital value system would also be open to the charge of too few people paying for local services, so one option being considered is for the householder to be responsible for an addition capitation charge based on the number of adults in a house.

The proposal for a combination of property tax and a residual poll tax is rapidly losing favour on cost and administrative grounds. A poll tax that would be considered reasonable, say of £100, would cost about a tenth of its value to collect, as the full panoply of the register and collection process would have to be maintained by each council.

The most probable scenario is a spring statement announcing the early repeal of the poll tax and its replacement by a form of property tax. At a later stage, probably in the Conservative election manifesto, will come details of changes in the structure of local government aimed at reaching a consensus that will hold. It is at this stage that decisions such as transferring the costs of education from local to central government, and the possible abolition of the counties, will be made.

So far, no clear pattern has emerged from the authorities that have already declared their poll tax levels for 1991-92. The flagship Conservative authority of Westminster has announced a level of £176, £19 less than this year's, but most have decided on an increase at or above the rate of inflation. The government's hope of an average poll tax in England of about £380 seems certain to be dashed, and the average is likely to creep well over £400.

OBSERVER

Deep in the red

■ Trade is bad even for the Soviet Communist Party. According to figures just issued by its business manager Nikolai Kruchina, it has lost not only influence and members, but nearly 2bn roubles of income – a sum which declines in value from around £2bn at the official rate, through £200m at the tourist rate, to as little as £70m on the black market.

Half of the drop reflects the party's loss of profitable newspapers such as the Moscow Evening paper, which have gone independent. Another Rs600m has been drained by a cut in party membership fees from 3 to 2 per cent of salary, and a further Rs100m by resignations.

The business manager's pledge of a redoubled cost-cutting drive portends that undisclosed cuts already made in party staff will continue.

Meanwhile, however, surviving officials' salaries have increased sharply. For example, district secretaries (who Kruchina, once one himself, said get only two days off a year) have had a rise from Rs350 a month to Rs500-550.

More brightly, he added that the party had Rs 4.9bn in reserves and investments.

But that bulwark appears to be crumbling fast because of the need to hand out Rs1bn or so to republican parties, and Rs100m to unprofitable party newspapers, of which there are 306. Sales of some, particularly Pravda, have been plummeting, occasionally to a fifth of previous circulations.

The party possesses 5,254 assorted buildings valued, Kruchina said, at some Rs2bn. The worth of its publishing houses was put at Rs1.6bn. It also runs 23 sanatoriums and rest homes worth Rs457m.

Cost cuts have included a blitz on hard-currency foreign travel, and on the importing of foreign comrades to Moscow. Even so, while only 60 officials went abroad in the past year, 600 overseas communists were brought in for "consultations, rest, and – if they wish it – training".

De-code

■ Jargon continues to overwhelm the railway authorities. Witness the guard on the 7.30 service leaving London for Glasgow, who told "all non-travellers to de-train". It looks as though we'll soon be asked to "train" instead of hearing the old cry of "all aboard", and "de-seat" when we're supposed to stand up.

London Underground is also getting in on the act. At Baker Street, for example, an announcer wanting passengers to change trains asked them to make a "cross-platform transfer". The reason, no doubt, was that the train had reached a termination situation.

Dame exits

■ London has never had a single dominant mayoral figure like New York. The nearest equivalent was Dame Shirley Porter, leader of Westminster City Council. But unlike New York's Ed Koch and her heroine Margaret Thatcher, she has been able to choose when to call it a day.

Now she has done so, the question is whether Westminster, which takes in the Houses of Parliament and Buckingham Palace, will remain the force she made it as a testbed for radical local toryism. "She kick-started a dead dinosaur into action", says neighbour and tory MP Emma Nicholson.

The number of council committees was halved, 17 services have been contracted out, and school catering, cleaning and outdoor leisure will go this

"I bought all Asil Nadir's executive toys."

year. The ideologues dream of the day when all Westminster council matters could be reduced to a single short annual meeting.

The downside is that Lady Porter made some catastrophic misjudgements. Despite her impressive marketing skills, Westminster is nowhere near as well managed as is sometimes suggested.

An obvious successor is her deputy David Weeks. But Marie-Louise Rossi, daughter of Sir Hugh Rossi, and local businessman Simon Milton are both said to be contenders.

In the meantime, Lady Porter's departure – she has not yet been rewarded with a seat in the Lords – means that Islington's Labour leader Margaret Hodge becomes the uncrowned queen of London local government.

Coexistence

■ The new South Africa is a place rich in irony. For over a decade the worldwide anti-apartheid movement, under the leadership of the African National Congress, has tried to force Royal Dutch/Shell to pull out of the country.

The ANC-led campaign has had effects far outside South Africa. Only a fortnight ago it resulted in the removal of Shell Oil's name from service stations on the America's New Jersey turnpike.

So it is with some amusement that I hear the ANC has agreed to put up R20m to buy its first national headquarters building - from Shell SA.

Another twist is that, as Shell's new premises aren't yet ready, it will stay on for some months as the ANC's tenant.

Boom of youth

■ Amid the firings in the City of London – some claim there have been 12,000 in past year, although at least half that number of new jobs have probably been created – it seems hard to believe that anybody has gained from the recession.

Nevertheless some have, according to the Jonathan Wren Executive recruitment consultancy. The beneficiaries, as usual, are the young at the expense of the older.

Wren's analysis of upper-rank jobs offered shows the average executive salary up to £41,794 from £38,336 over the last 12 months, a rise of 9 per cent. But the average age of recruits employers are seeking has dropped by 6.6 per cent to about 31.

As a result, the £-per-year-lived price on applicants has jumped from from £1,162 in 1990 to £1,356 this year – a 16.7 per cent premium for inexperience.

Cheeky

■ An Irish travel company whose holiday advertisement was banned for flaunting the rear view of a bikini-clad model, has covered the offending area with the message: "Don't get left behind."

ECONOMIC VIEWPOINT

Classical liberals under the skin

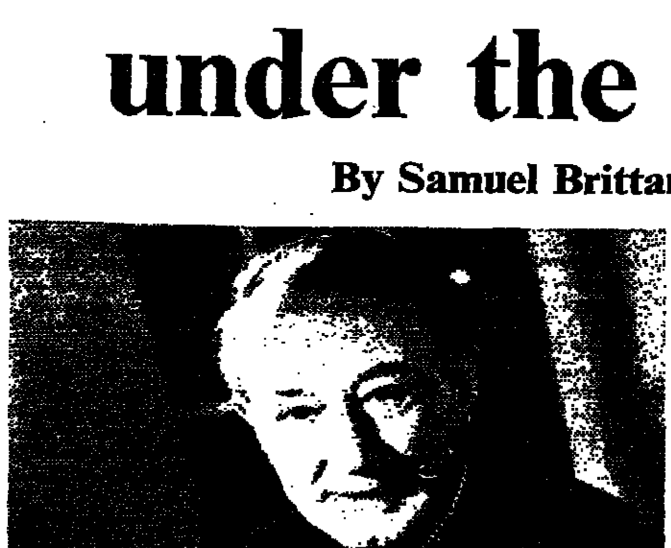
By Samuel Brittan

Every economist worth his salt has always known that many political conditions have to be satisfied, and that many traditions of behaviour and attitudes of mind need to exist, before markets can function effectively. And if he did not know about these preconditions, he will have been forcibly reminded by events in central and eastern Europe. He will surely sense that there is a difference between countries such as Czechoslovakia, Hungary and Poland, where there are enough western traditions to give the market economy – as well as representative political institutions – a chance to function, and countries such as Russia (I do not mean the Soviet Union) and parts of the Balkans where the heritage is so different.

The time is ripe for a re-examination of ideas that emphasise the primacy of political values over economic instruments, and cultural dispositions over financial techniques. (Readers wanting to know whether German interest rates have peaked can skip my column today.) Such ideas are discussed in John Gray's new essay, "A conservative disposition". The identity of the author is especially interesting. For during most of his career, John Gray has been an exponent of classical liberalism, on which he has written several books, as well as studies of Mill and Hayek.

To the vulgar interventionist a classical liberal is simply a fancy name for a pro-capitalist Conservative. But for those with the patience to investigate further there is a world of difference. A classical liberal really believes in the freedom of choice of which some Conservatives and Republicans talk. If the state should not interfere with personal choice in a supermarket, or in the jobs market, still less should it interfere with a citizen's personal habits (for example, whether to consume soft drugs or alcohol) or what he wishes to read, view or listen to, whether the great and the good regard it as subversive, pornographic or whatever. And a classical liberal is as suspicious of nationalism as he is of nationalisation.

John Gray, having crossed the divide from classical liberalism to what he calls individualist conservatism, will now have none of this. He believes there is no abstract right to freedom, but particular practices such as freedom from arbitrary arrest, an uncensored press or non-interference with the acts of consenting adults who have grown up in certain fortunate countries.



Gray's official reason for abandoning *classical* liberalism is that he could not find a rigorous way of demonstrating it by deductive reasoning from some coherent set of *a priori* principles. There is a more personal reason why John Gray has changed labels. His booklet is full of phrases such as the "natural and unavoidable evils of human life", and the imperfectibility of man. Above all there is the attack on general theories, which "at their best can tell us how little we know", and the dangerous delusion that human ills can be cured by any doctrine.

As I was reading, it all seemed very familiar and reminded me of someone from a very different political stable. Then at last the penny dropped. It was Denis Healey. His autobiography has had a deserved success as an account of an unusually varied experience and career. On every other page there is some dismissal of the inflated claims of political and economic doctrine and reflections on the superiority of the arts to politics, both as a source of personal satisfaction and of insight into the human condition. Healey's favourite definition of socialism is "an obstinate will to erode by inches the conditions which produce avoidable human suffering". This is not so different from Gray's definition of conservatism. Both Gray and Healey even quote the same poem of W B Yeats (Meru) which speaks of "the desolation of reality".

Where then lies the difference between Healey's sceptical socialism and Gray's sceptical conservatism? One big difference is that with Healey optimism keeps breaking through. On his penultimate page he insists that Yeats's icy dawn is not inevitable. He almost ends with Blake's Jerusalem. I say "almost" because

Most Tories who quote Oakeshott seem to know only one of his works

that is followed by an Old Testament quotation, "Would to God that all the Lord's people were prophets", which could not go alongside Gray's bitter dismissal of the so-called illusion of progress.

Part of Gray's intention is to celebrate the great political philosopher Michael Oakeshott, who died last December, aged 89. Oakeshott is occasionally cited by Tories who do not like to see their party identified with market capitalism. Unfortunately most of them seem to know only one of the master's works, namely his Inaugural Lecture on Political Education (reprinted in Rationalism in Politics).

'Governing is a specific and limited activity, namely the provision and custody of general rules of conduct'

Michael Oakeshott

This contains the famous sentence: "In political activity, then, men sail a boundless and bottomless sea; there is neither harbour for shelter nor floor for anchorage, neither starting place nor appointed destination." The lecture also contains a well-known passage about political change following not from principles, but from "intimations" of an existing tradition, or an incoherence in that tradition. Ideologies are just crude "abridgements" of experience. All good Healeyism.

But there is far more to Oakeshott than licence for politicians to follow their instincts. In the same volume, and in a similar spirit, is another essay on Rationalism in Politics in which he attacks the assimilation of politics to engineering and the resolution of "felt needs" in a series of crises. The rationalist is castigated because he cannot imagine a politics that does not consist in solving problems or a political problem which has no rational solution at all. So much for the pre-election policy groups.

Unlike Gray, Oakeshott believed that the task of the political theorist is to understand rather than to prescribe. An unfortunate result is that too little is known of Oakeshott's positive views, which were far more clearly defined than some of the usual quotations would suggest. He believed that "governing is a specific and limited activity, namely the provision and custody of general rules of conduct, which are understood, not as plans for imposing substantive activities but as instruments enabling people to pursue the activities of their own choice with the minimum frustration, and therefore something which it is appropriate to be conservative about".

He later developed this insight into a clear-cut difference between the view of the state as a "civil association" which held the ring for people to pursue their own activities, and the state as an "enterprise association" embarking on projects such as doubling the standard of living or (far worse) improving the balance of payments or standing up to Japan in world trade. His view of the state as a civil association was remarkably similar to that expressed by Hayek – except that Oakeshott did not try to prove that the civil association would also deliver high living standards, or that economic catastrophe would follow the confusion of the state's role with that of an enterprise.

"One-nation" Tories who regard themselves as followers of Oakeshott almost invariably see the state as an enterprise association. But the Tory right would also part company with him if they were familiar with his repeated and justified assertion that war and nationalism are the main promoters of the state-as-enterprise heresy and enemies of the civil mode. Nor is the characteristic preoccupation of the Tory right with authority, deference, obedience, hierarchy and ruling classes to be found in Oakeshott and Gray.

Whether these writers like to admit it or not, the ideal of the state as a civil association is that of classical liberalism, not conservatism. The fact that these are liberal and not conservative traditions is suggested to me by the amount of time John Gray spends in his pamphlet rebuking Conservatives for trying to force on society a departed family ideal, for pretending to ground their views in religious beliefs, or for not recognising the case for decriminalising drugs in the US. Eventually he will find his way back to classical liberalism; and the fact that there is no political party unequivocally associated with this belief, is, if anything, a source of strength.

Works Cited: John Gray: A conservative disposition, Centre for Policy Studies, 1991; Liberalisms, Routledge, 1990; Denis Healey: The Time of My Life, Michael Joseph, 1989; Michael Oakeshott: Rationalism in Politics, Methuen, 1962; On Human Conduct, Oxford, 1975.

BOOK REVIEW

Show biz and senators

THE POWER AND THE GLITTER
By Ronald Brownstein
Pantheon Books, New York; $24.95

The relationship between show business and American politics has always been intimate.

Frank Sinatra kept John Kennedy amused until his business connections proved too troublesome. Warren Beatty was so close to Gary Hart that some wondered whether the film star wanted to be the presidential candidate, or vice versa. Ronald Reagan played the roles of actor and president with disarming ease.

The relationship between politics and show business in the US also revolves around money. Because the costs of running for elective office are so high (a US Senate race alone can cost up to $15m), Democrats and Republicans alike come to Hollywood, where their fund-raisers organise the $450,000 breakfast or the $10,000-a-plate dinner.

Ronald Brownstein, a national political correspondent with the Los Angeles Times, has delivered a thoughtful, readable account of what he calls the "Hollywood-Washington connection", as it has evolved since the age of the movie moguls in the late 1920s.

Brownstein begins his story with Louis Mayer, the cofounder of MGM, who dabbled in politics with William Randolph Hearst, the Californian publishing magnate, and his friend Herbert Hoover, the one-term Republican president. The pace picks up with the rise and fall of the anti-fascist Popular Front in Hollywood, the McCarthyist backlash, and the career of Helen Gahagan Douglas, the one-time beauty queen who ran for the Senate in 1950.

Throughout the book, Brownstein, a former speechwriter for Ralph Nader, the consumer activist, is a shrewd observer of the foibles of liberal politicians. The communists who infiltrated Hollywood in the 1930s in the hope of using the film industry to influence public opinion are given short shrift; but so too are sympathisers such as Lillian Hellman who, as late as 1946, were still passing fawning motions in support of Stalin.

The tone turns even more waspish when the author deals with the 1960s and 1970s, an age of Hollywood activism which saw film stars become increasingly assertive on behalf of presidential candidates. Brownstein is often very funny. He captures Shirley MacLaine promising to cut the US defence budget by more than its total; in a later passage, he sums up Jane Fonda, the rebel in search of a cause. "Fonda wanted something more pungent," writes Brownstein of her marriage with Roger Vadim, the French movie director. "She had already experienced cocktail-party revolution in the salons of Paris, raising a clenched fist while the maid cleared the hors d'oeuvres."

Above all, the author captures the breathless self-importance of the Hollywood set, a self-importance based on privilege, money, and a belief that in the modern age of imagery, symbolism and television, actors and actresses have something special to offer and say.

Shirley MacLaine summed up this view of the world during an interview with the New York Times in 1971: "What I'm

Reagan played the roles of actor and president with disarming ease

most interested in these days is manipulating the system. And today communications are more important than the politics. I will unabashedly use my celebrity to try to influence people. I think this is a proper use of my power. I mean, what good does my turquoise swimming pool in California do anybody else?"

The irony, of course, is that the only Hollywood figure who made it to the top turned out to be Reagan. His election to the White House in 1980 stunned liberal Hollywood which could not imagine how a true conservative, let alone a B-movie actor, could win the presidency.

Here again was an instance of the film stars believing their own rhetoric. To assume that Reagan prospered on stagecraft alone was a profound mistake; as Brownstein says, Reagan was by 1980 a two-term governor of California, a strong runner in the 1976 Republican presidential campaign, and a man who addressed public concern about the drift of the Carter years.

A more challenging question about Reagan's success is this: how far has Hollywood's innate liberalism marginalised its impact on national politics? What, in other words, are the stars and studios actually getting for their money?

This is not something which Brownstein quite puts his finger on. He is weak, for example, on the tax breaks and other favours which the motion picture industry has picked up as a result of effective lobbying in Washington.

Brownstein acknowledges that Hollywood does not set the tone of US politics; its support, though often avidly courted, rarely proves decisive. So, he concludes: "Hollywood's participation in national politics is less important on who wins than for what it reveals about the mysterious interaction between culture and politics, and how the rise of television as the dominant form of public discourse transformed American life since the Second World War."

Here Brownstein offers observations, rather than conclusions. Reagan, notoriously insensitive to civil rights issues, invited Michael Jackson, the phenomenally successful black singer, to the White House. In 1984, the Reagan re-election campaign in 1984 appropriated Bruce Springsteen's rock album Born in the USA as its main theme (in spite of the record's criticism of unmet promises of the American dream).

Yet all politicians are bound to piggy-back on something which has popular appeal, particularly if they can manipulate the message to their own ends. The Reagan campaign, worried about their candidate's age, inverted the Springsteen message and turned it into a raunchier version of Morning in America in a clever, calculated appeal to younger voters.

The wider lesson seems to be that, in the absence of party labels, US politicians need something extra to give themselves definition. This is particularly true of US national politics; and it holds doubly good in a country where politics often comes second to making money and being left alone to enjoy the good life. Here, surely, Hollywood has something to contribute.

Lionel Barber

LETTERS

The case for export credit support

From Mr D.W. Cawthra.

Sir, Andrew Tyrie's article "The unacceptable price of British exports" (February 1) was largely founded on the premise that provisions against possible bad debts are the same thing as realised trading losses. Most of it was based on this erroneous assumption, so presenting an inaccurate and biased picture weakened further by irrelevant references to the Gulf conflict.

The Export Credits Guarantee Department's financial problems are rightly a matter of concern, but they have to be seen in perspective. They result from the unprecedented 1980s international debt crisis which affected every export credit agency and international lending institution in the industrialised world. Mr Tyrie ignores the point that ECGD has traded at no net cost to the taxpayer for most of its 70-year life in the course of which £250bn of export sales have been achieved at immense benefit to employment, industry and the Treasury's coffers.

Given the widespread recession in the project-buying sector, especially in countries which have had debt problems in the past, capital goods exports may currently amount to a relatively small percentage of total UK non-oil exports; but they are still a very large absolute sum – some £2bn-2.5bn per annum. They are heavily concentrated in our strategic capital goods and defence industries; about 20 per cent of exports in these sectors is probably supported by ECGD.

These sectors also depend on exports to sustain capacity if they are to be able to compete economically for domestic business. If the government's export credit support fails to match that of our main overseas competitors, many multinational companies operating in the UK would be forced to move their procurement and thus their business abroad.

That means that we would lose not just a percentage of our exports but potentially large swathes of domestic activity as well. The impact on the balance of payments would be much more severe as imports inexorably rose. Moreover, while large project business involves a relatively small number of large companies as main contractors, literally thousands of small companies depend on these exports as a vital part of their workload.

Over half the world's population lives in the countries mentioned by Mr Tyrie. If we were to trade only with low-risk countries of whose political systems we approve, we would trade with a very small number. No one but governments can underwrite political risks of the size and dimension involved in export projects. Governments do this in all the major exporting countries. There are no signs whatever that other governments are following ours, even to adopt the Portfolio Management System, let alone Mr Tyrie's more fundamental proposals. Has every other country got it wrong?

The article claims the annual costs of ECGD are running at £1bn. Of this sum the interest rate cost, said to be £400m per annum, will disappear when UK interest rates fall to reasonable levels, one of the prime objectives of government policy. As to £600m per annum for net claims on an ongoing basis, nothing in ECGD's trading history supports such a likely outcome.

British industry does not expect government support for export sales if there is no prospect these will be paid for. It does expect to be put on an equal footing with its international competitors and for the UK government to march in step with other western governments in matters relating to export policy. Major British Exporters will continue to press its case in these matters forcefully and without apology.

D.W. Cawthra,
director,
Major British Exporters,
64 Clapham Road, SW9.

From Mr Ceri Jones

Sir, Andrew Tyrie suggests the ECGD's continued existence in anything like its present form may not be worth the cost. As an economist who spent two years in the ECGD risk management division before joining the private sector, I believe the cost of the department cannot be justified.

The government is to be congratulated on its decision to privatise the short-term credits division based in Cardiff. It has no business running a competitive, commercially-viable insurance company. The long-term credits division based in London is in a different position. With debt provision currently standing at £7.25bn it is hardly an attractive candidate for privatisation. The radical option which the government has so far failed to exercise is to close the department, except perhaps for a small section, which could deal with business conducted in the "national interest" and need not maintain any pretence that it operates on commercial guidelines.

ECGD sees its primary function as to promote exports. It does this by offering credit in circumstances where no other insurer would contemplate taking on such risk, or the premium charged would be prohibitive. The ethos of export promotion which permeates ECGD does not sit easily with its stated objective of operating as a commercial undertaking. If ECGD made decisions on the same commercial criteria as other insurers, much of its business would never have been taken on.

The overhang of the debt crisis means that, regardless of decisions taken from now on, claims on existing business will cause ECGD's deficit to continue to spiral. There is little ECGD can do about this. But it can take steps to limit the exposure of new business in problem markets. Unfortunately, ECGD displays a worrying reluctance to be forward-looking in its risk management. The department is loath to turn business away in any market which has not previously defaulted, by which time it is, of course, too late.

A relatively small amount of ECGD business is conducted in the "national interest" on a separate non-commercial account. If the intention is to provide aid, this role should properly be conducted by the Overseas Development Agency and the aid directed where it is most needed rather than according to political expediency. The way in which ECGD continued to cover substantial business in Iraq, despite both its appalling human rights record and its precarious finances, is a testimony to its amoral political stance as well as its lack of business acumen.

Given the huge amounts of money involved, the public has the right to know more about ECGD's exposure and the inherent risks. Such knowledge would, I believe, bring into question ECGD's existence as a supposedly commercial insurer in long-term credits.

Ceri Jones,
36 Stanhope Gardens,
Highgate, N6

Tax penalty on investment

From the director general, Engineering Employers Federation

Sir, Peter Norman (February 18) omits one key element from his assessment of the chancellor's room for economic manoeuvre. This is the urgent need to remove the anti-investment bias which is an integral feature of the existing corporate taxation system.

Our balance of payments problem is the direct result of the reduction in the UK manufacturing sector, which is now too small to support the rest of the economy. As the illusions of being able to live easily on services and North Sea oil are being painfully dispelled, so the need to regenerate our manufacturing capacity should be clear to everyone.

Increased investment in manufacturing is the key to recovery and this is unlikely to be achieved if companies continue to suffer a tax penalty on investment expenditure.

It is to be hoped that this anomaly, and the importance of manufacturing to the economy, are now fully recognised in the Treasury.

Peter Brighton,
Broadway House,
Tothill Street, SW1

Away days

From Mr John Royle.

Sir, I would offer revenge rather than "funk" as a motive for the continued avoidance of the airlines by seasoned business travellers. At last, we can see some way to get our own back for the continual "air traffic control delays" and other familiar hassles that have made travelling by air such an ordeal over the past few years.

Perhaps by avoiding airlines and airports for a while, we may persuade them to treat their customers like human beings rather than cattle. It is good to think that the long-term car parks must be suffering, too.

John Royle,
13 Airedale Avenue,
Chiswick, W4

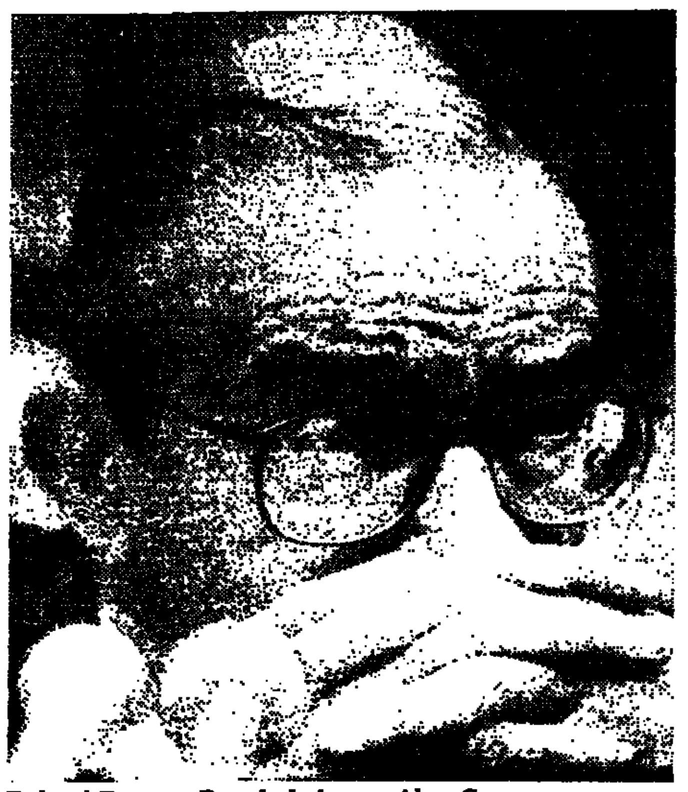
Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Thursday February 21 1991

Greenspan cautiously optimistic on recovery

By Michael Prowse in Washington



Federal Reserve Board chairman Alan Greenspan

THE US recession is likely to be "shorter and shallower" than most previous post-war downturns, Mr Alan Greenspan, chairman of the US Federal Reserve, said yesterday.

Mr Greenspan expressed cautious optimism that substantial recent cuts in interest rates would revive US economic growth later this year.

Delivering the biannual Humphrey-Hawkins testimony to Congress, however, he conceded that the US economy was not yet bottoming out.

There was a risk that frayed business and consumer confidence could interact with a weakened financial system to produce a further decline in the economy. His comments were put in perspective by further discouraging economic statistics yesterday.

The Commerce Department reported a 13 per cent fall in housing starts in January – to the lowest level for nine years. The figures were much worse than expected and may depress hopes of recovery since construction is a sector that usually leads other parts of the economy.

Separate figures also showed a rise in the underlying rate of consumer price inflation.

Mr Greenspan said it would be unwise to rule out the possibility that the recession would become "more serious than already is apparent". The main danger was that the erosion of purchasing power and frayed consumer and business confidence stemming from the recession could interact with a weakened financial system to produce a further decline of the economy, he said. Details Page 6

Mr Greenspan took care to defend himself against charges of failing to act decisively enough to prevent a recession.

He said the Fed had used all the tools at its disposal – including two cuts in the discount rate, to 6 per cent, and an easing of banks' reserve requirements – to revive the economy.

Questioned by members of the Senate Banking Committee, however, he declined to say whether further monetary easing would be needed.

Mr Greenspan said there would be no changes in the monetary targets for 1991 provisionally set last July. The target for M2, the most widely watched monetary measure, is for growth of between 2½ per cent and 6½ per cent, slightly tighter than last year's target of between 3 per cent and 7 per cent.

In recent months, the Fed has been criticised for allowing M2 growth to slow almost to zero. Mr Greenspan said an easier monetary policy could not resolve the "market imperfections" that were impeding the supply of credit to sound borrowers.

This task would require regulatory reforms, including additional disclosure of information by banks and greater efforts by regulators to adopt "prudent and fair" standards. Banks should also feel more able to borrow at below market rates from the Fed's "discount window".

The Fed's economic forecasts for 1991 indicate growth of between ¾ per cent and 1½ per cent, inflation of between 3¼ per cent and 4 per cent and unemployment peaking at between 6½ per cent and 7 per cent. These are broadly in line with previous optimistic forecasts by the White House.

EC aid package fails to satisfy airlines

By David Gardner in Brussels

THE EUROPEAN Commission yesterday approved a package of measures to help airlines bear the extra costs caused by the Gulf war.

But the moveappears neither to have satisfied an industry struggling through its worst crisis for decades, nor entirely to have allayed fears that it might dent the EC's air liberalisation programme. The details are as expected.

The Commission will speed up changes in air fares, and member states are urged to follow suit. State aid to compensate for higher security and insurance costs, together with deferred air traffic control charges, will be viewed sympathetically.

Airlines will be able to band together to share the costs of flying unprofitable routes without anti-trust action being taken, while landing and take-off "slots" they vacate as a result will not be forfeited.

Member states are urged to reduce value added tax on air tickets to a maximum of 9 per cent, against a current high of 19 per cent. But this looser regime will apply for only three months, after which requests for extensions will be scrutinised.

"There is no question of a general indemnity," Sir Leon Brittan, EC competition commissioner,said. "We will look with extreme suspicion at arguments which say we are still suffering from the aftermath of the war".

The Association of European Airlines (AEA) called the three-month limit "a failure", arguing that the measures would take time to implement, and that the airlines would have to go back to the Commission very shortly afterwards.

"We are disappointed," the AEA added, "not to find any indication of how to interrupt the process of EC legislation whenever it has a negative cost impact on the airlines."

The problem is that liberalisation is supposed to have an impact on airline costs and efficiency. This will be the battleground after the Gulf war as airlines combat its after-effects on traffic, along with the recession and the consequences of their 1980s expansion.

Liberalisation is meant to draw in lower-cost new entrants to compete with the flag carriers, and, Commission officials say, will lead to a consolidation of the European industry, through mergers and joint ventures, privatisations, and possibly failures, too.

"We are bound to move towards a system of regional feeders and hub airports," one official said yesterday. It was "always implicit in the logic," says another.

EC deregulation so far has tried to open market access, stimulate price competition, and crack down on monopolies over routes. From now to 1993 – and beyond – the intention is that all airlines should be able to set their own fares, provided competition rules are observed, to expand capacity at the dictate of the market rather than the fiat of local monopolies, and to have growing access to the finite capacity of airports.

Progress has been slow but is already forcing airlines to review their costs. By July next year new capital and technical requirements allowing airlines to operate are due to become EC law, and severely undermine the de facto airline monopolies of many states.

Scheduled carriers would clearly like to be in the fittest condition to confront this freer market, and there are thus concerns now that the temporary regime approved for the Gulf war could be extended, while governments shore them up financially.

Yesterday, the French government approved nearly $400m aid for Air France; on Monday, the Italian transport minister tried, but for the moment failed, to get through a $300m package for Alitalia; and this week the Belgian government is expected to approve a $1bn rescue for Sabena.

The danger, as one Commission official put it, is of "competition, not between airlines, but between taxpayers."

Capital for Air France, P4

Bush unveils plan to lift US energy production

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday announced far-reaching proposals to increase US domestic energy production, in order to reduce dependence on imported oil.

Outlining the long-awaited National Energy Strategy, Mr Bush said the aim was to improve production and encourage conservation, while ensuring continued economic growth. He stressed the reliance on a market-based system to meet energy demand, and on increasing energy efficiency without imposing new energy taxes.

He added that the US was determined to minimise its dependence on foreign oil supplies. Before the Gulf war and the recession, oil imports accounted for nearly half US needs.

The aim of the strategy is to reduce US demand for oil by 3.4m barrels a day by the year 2010, while increasing domestic supplies of oil by 3.8m b/d over the same period.

The strategy chiefly focuses on increasing production, and includes proposals that oil drilling be allowed in the Arctic National Wildlife Refuge in the state of Alaska, as well as in certain areas on the Outer Continental Shelf.

In addition, the licensing of nuclear power plants is being streamlined, to encourage new development after a long lull. Regulations on natural gas pipeline constructions are also to be simplified.

Mr James Watkins, the energy secretary, said the aim was to address the challenge of supplying necessary energy "without imposing harsh command and control measures, such as taxes and restrictive regulations on business and industry, that would reduce our standard of living and economic competitiveness".

The plan involves introducing alternative fuels and technology, expanding the use of domestic natural gas and increasing vehicle efficiency.

The widely leaked proposals have already been strongly criticised by environmentalists for their encouragement of further development, rather than going further down the path of stimulating conservation and energy efficiency.

There is pressure on Congress to do more, especially with regard to increasing the fuel efficiency of cars and encouraging the use of alternative and renewable fuel sources.

Republican as well as Democratic congressmen have called for a greater emphasis on conservation and the revival of proposals such as the introduction of federal energy standards for lighting.

The plan is the result of lengthy public hearings and has been the subject of a vigorous internal debate within the Bush administration. Some of the president's main economic advisers blocked proposals which would have increased costs to industry.

Way paved to single life insurance market

By Andrew Hill in Strasbourg

THE EUROPEAN Commission yesterday paved the way for life insurers to sell their services and establish branches in all EC countries, putting in place the last building block of the single market in insurance.

The Commission formally adopted the third directive on life assurance which, if approved by EC governments, will come into effect at the start of 1993.

The directive, will enable insurance groups to operate freely throughout the Community according to their home countries' rules.

It will also allow them to invest their resources anywhere in the EC.

Announcing adoption of the directive, Sir Leon Brittan, the EC commissioner responsible for the sector, said: "This is based once again on the principle of mutual recognition and a single passport: as a result, a single European market in financial services is becoming a reality."

Draft EC legislation has already prepared the ground for non-life companies to sell services in all member states.

Sir Leon said the directive would increase choice for consumers and "provide a marvellous launch pad for Europe's insurance companies to sell in world markets".

However, it may face opposition from companies in some EC countries, notably Germany, which want to retain control over premiums.

Sir Leon stressed that greater consumer choice would not mean diminished consumer protection. The directive proposes a common set of principles and consumer protection regulations.

Among other safeguards, policyholders would still be protected under the laws of their country of residence or nationality.

Member states would also be able to prevent the marketing of policies which were "against the general interest" as defined by the Court of Justice. In addition, policyholders would have a 14-30 day "cooling-off" period after a contract was agreed, in which to change their minds.

The directive will mean that EC countries will no longer be able to force insurers to invest a proportion of their assets in public bonds.

It will also lay down rules for the calculation of "technical provisions" which companies must hold against their potential liabilities.

The directive will not restrict companies to particular investments and will not oblige them to invest primarily within a single member state.

However, it will include types of assets which can be acquired and the proportion of the company's total assets which each type can represent.

EC accepts formula

Continued from Page 1

Negotiators do not expect fundamental issues to be tackled for several months, possibly not until after the summer. Much depends on how rapidly the EC can move on the internal reform of its Common Agricultural Policy.

Having resolved the procedural impasse over agriculture, Mr Dunkel immediately called a meeting of the countries principally interested in liberalising trade in textiles and clothing.

This negotiation, which aims at dismantling the Multi-Fibre Arrangement (MFA) of bilaterally agreed import quotas, which has governed trade in textile goods for more than 30 years, is one of the most sensitive in the round.

Mr Dunkel plans to hold talks in the next few days with negotiators in other areas on how to restart talks on services, intellectual property, the revision of Gatt rules, and on reductions in tariffs and other import barriers.

Allies intensify ground raids in preparation for full-scale battle

Continued from Page 1

in comments by Mr James Baker, US secretary of state, who insisted yesterday that an end to the Gulf war hinged on full Iraqi compliance with all United Nations resolutions.

"Iraq must leave Kuwait immediately, totally and unconditionally and Iraq must comply fully with the other applicable Security Council resolutions," he said.

This reinforced the US view that any deal brokered by Moscow would have to embrace not merely withdrawal but all the UN resolutions including those dealing with reparations to Kuwait and securing peace and security in the area.

Mr Baker was speaking as the Bush administration remained unusually quiet ahead of Iraq's formal reply to Moscow's peace initiative and amid increasing speculation about an imminent start to a full-scale ground offensive.

Following further discussions with Mr Alexander Bessmertnykh, the Soviet foreign minister, Mr Baker added: "Now, one way or another, the Iraqi army of occupation will leave Kuwait soon. And Kuwait will be liberated soon."

The contents of Moscow's withdrawal proposals remained secret, indicating there was still room for manoeuvre even though time was running out. Arab diplomats noted the uncompromising tone of recent statements from the Saudi royal family implying the need to see an end to Mr Saddam.

The allies appeared confident that the Iraqi armed forces were already severely weakened despite Baghdad's continued defiance. Since the beginning of this week they have declared their readiness to launch a lightning invasion.

One US officer said some Iraqi armoured units had begun to combine different models of Russian-made tanks, an unusual practice probably forced upon them by the destruction of numerous tanks in the air campaign.

"Iraq's military is hurting and hurting very badly," Gen Norman Schwarzkopf, the US commander, said in an interview with the Los Angeles Times. "Our assessment is that they are on the verge of collapse."

He and his colleagues emphasised, however, that the Iraqi army was still a force to be reckoned with. Yesterday, one American was killed and seven injured when Iraqi artillery hit two Bradley fighting vehicles and a Vulcan mobile anti-aircraft gun in an engagement along the border. The Americans said they destroyed five tanks and 20 artillery pieces and captured seven prisoners.

Allied aircraft attacked a concentration of 300 vehicles at a logistics centre 100km north of the Saudi border, Brig-Gen Neal said yesterday, destroying 28 tanks, 26 other vehicles and three ammunition dumps.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	Ca	14	57	Berlin	F	5	41	Caracas	F	36	97	Faro	S	16	61	Islamabad	F	24	75
Algiers	C	13	55	Biarritz	C	11	52	Casablanca	C	13	55	Florence	S	13	55	Istanbul	S	9	48
Amsterdam	F	4	39	Bombay	S	26	79	Chicago	S	-2	28	Frankfurt	S	4	39	Jakarta	R	31	88
Athens	F	15	59	Bordeaux	S	11	52	Cologne	S	8	46	Geneva	Fg	1	34	Jersey	Fg	3	37
Bahrain	–	–	–	Boulogne	F	6	43	Copenhagen	C	1	34	Gibraltar	S	16	61	Johannesburg	S	23	73
Bangkok	F	34	93	Brussels	Dr	1	34	Corfu	S	16	61	Glasgow	Dr	7	45	Lima	F	24	75
Barcelona	C	14	57	Budapest	S	1	34	Dallas	S	0	32	Helsinki	Sn	-1	30	Lisbon	C	14	57
Beirut	–	–	–	Buenos Aires	–	–	–	Dublin	S	10	50	Hong Kong	–	–	–	London	C	7	45
Belfast	C	8	46	Cairo	F	21	70	Dubrovnik	S	15	59	Innsbruck	S	7	45	Los Angeles	S	12	54
Belgrade	S	6	43	Cape Town	F	24	75	Edinburgh	C	7	45	Inverness	C	5	41	Luxembourg	S	4	39

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	17	63	Milan	F	6	43	Nicosia	F	17	63	Salzburg	S	6	43	Tenerife	C	18	64
Madrid	S	11	52	Montreal	C	3	37	Oporto	S	14	57	San Francisco	S	8	46	Tokyo	S	7	45
Majorca	F	13	55	Moscow	F	-8	18	Oslo	C	3	37	Seoul	Sn	2	36	Toronto	C	1	34
Malaga	S	16	61	Munich	S	4	39	Paris	C	3	37	Singapore	F	31	88	Tunis	C	16	61
Malta	C	15	59	Nairobi	T	20	68	Peking	C	4	39	Stockholm	C	2	36	Valencia	R	14	57
Manchester	C	5	41	Naples	F	16	61	Prague	F	6	43	Strasbourg	Fg	0	32	Venice	C	6	43
Manila	C	29	84	Nassau	F	26	79	Reykjavik	S	-1	30	Sydney	C	23	73	Vienna	Fg	0	32
Melbourne	C	19	66	New Delhi	S	21	70	Rhodes	S	17	63	Taipei	C	12	54	Warsaw	S	2	36
Mexico City	F	25	77	New York	C	16	61	Rio de Janeiro	C	28	82	Tangier	S	16	61	Washington	C	18	64
Miami	C	22	72	Nice	C	15	59	Rome	F	13	55	Tel Aviv	–	–	–	Zurich	Fg	-1	30

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Acting coy over base rates

There was something rather piquant about the Bank of England yesterday rebuffing pressure for lower interest rates an hour after the UK recession was declared statistically official. It looks as if the government, having been accused of too political an attitude to its ERM obligations in the past, is now bent on proving the opposite. The markets are almost crying out for a further half point cut: Money market rates are below 13 per cent, forward sterling is discounting very nearly 12.5 per cent within a month and the Halifax, Britain's biggest building society, has just cut its first time buyers' rate by 0.75 per cent in what looks like an overt attempt to increase the pressure.

The one apparent snag remains sterling's peseta rate, which is still very close to its floor. But there is a detectable shift in official attitudes here. Sterling is only 1 per cent below the D-Mark central rate while the peseta is 4.5 per cent above it. For both countries, the ERM is now a constraint in tackling their respective economic problems: threatened slump in the UK, continued overheating in Spain. But if it is the peseta which is out of line, it is Spain's job to correct it.

However much the UK government now stresses the idea that its policy is a creature of the market, it must be sorely tempted to act. There is even the political carrot of Abbey National promising yesterday that it too will cut its mortgage rates by 0.75 per cent as soon as base rates fall another half point. With a fair wind, there could be a full point off by the Budget.

Shell

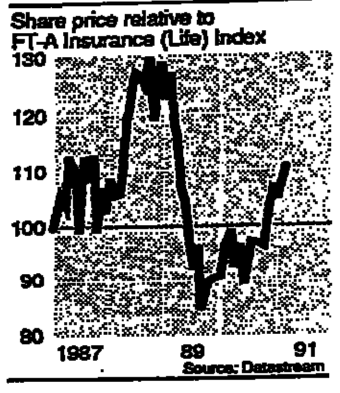
The chemicals cycle aside, Shell had good reason to be pleased with its 1990 figures. The only thing worth a quibble was the 1.5 per cent drop to 12.2 per cent in return on capital, which Shell itself has been pushing as a measure of its performance. The company was also evasive about the probability that its start to 1991 has been hugely profitable. It should finally be benefiting from higher European gas prices, while the fat refining margins which helped push group net income up 8 per cent in the fourth quarter have grown even fatter, particularly in the Far East. Despite looming stock losses, the operating numbers are looking good.

The group is now embarking on a five-year capital spending programme which will double its asset base, to be financed largely out of cash flow. A lesser company would terrify the market if it suggested annual spending of around $12bn, but Shell has net debt to equity of just 5 per cent. BP, staring at nearer 50 per cent, can only look on enviously.

Shell can afford to be less optimistic than BP about the oil price and should also be much better placed to grow its dividend. So the nagging question is why growth in the Royal Dutch dividend should have been held back at 3 per cent when it could easily have been a point higher. In recent years, sterling weakness against the D-mark bloc has nicely inflated the Shell Transport dividend. With the ERM supposedly puncturing that cushion, investors might ask whether Shell Transport is planning to pay UK or European dividends. If the latter, so much the worse for the shares.

Lloyds Abbey Life

Share price relative to FT-A Insurance (Life) Index



Lloyds Abbey

Lloyds Abbey Life's 8 per cent jump in yearly pre-tax profits is impressive. In particular, the contribution from Black Horse Financial Services demonstrates how the group's core strategy of tapping a captive customer base is paying off. The group insists the process has further to go, so Lloyds Bank depositors have been warned.

There are still some things which shareholders have to take on trust. One of these is the set of assumptions behind embedded value profits, though sceptics are perhaps forgetting just how fat margins are when business comes through the branches. Another is the extent to which poor quality earnings elsewhere in the group will eventually distort the steady flow of profits from life assurance. The Lloyds Bowmaker instalment credit business is the fly in the ointment this time; but the provisions look realistic and should ensure that the division rebounds in 1992 at the latest. The estate agency side, which did well to turn in a small profit last year, is also at the bottom of its cycle.

The key to the share price, meanwhile - up another 4p yesterday at 377p - is dividend policy. The problem is the low level of cash earnings, which only just covered the payout for last year. The balance sheet may be strong but the market will have to wait a little longer before dividends and earnings growth go hand in hand.

UK construction

A month ago, many share prices in the UK construction sector seemed simply to be begging for investors' money. If the buyer was looking for issues trading at historically low valuations but highly geared to falling interest rates, a pick-up in the housing market or the rebuilding of Kuwait, then such as Wimpey, Tarmac, Taylor Woodrow, Redland, RMC and Costain cried out for attention. The rally has happened. Wimpey's shares are fetching about 17 times likely 1990 earnings, Tarmac's about 16. Even the heavy building materials companies have put on a spurt, leaving Blue Circle yielding less than 5 per cent.

To claim this will end in tears would be silly. Yesterday's news of a 19 per cent drop in construction orders in 1990's final quarter was a reminder of how badly the industry is suffering; but the pain was already reflected in the low prices building shares reached in January. The real grounds for caution stem from the fact that questions about individual managements must reassert themselves soon.

The simple stories are the strong balance sheet building materials companies like Redland and RMC, astutely positioned in growing overseas territories. As for Tarmac, its endowment of fundamentally sound businesses should give it the base for the strategic reorientation it probably needs. But the two building sectors contain many companies which in the 1980s put almost all their eggs in just two baskets: UK housebuilding and commercial property development. These are not going to be growth businesses in the 1990s. Many in the industry must do a great deal of thinking about where else to go.

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday February 21 1991

INSIDE

Yorkshire hit by strength of sterling

Yorkshire Chemicals, the UK-based dyes, tanning materials and speciality chemicals company which exports more than 90 per cent of its output, suffered from the strength of sterling in the second half of last year. It made pre-tax profits of £10.79m ($21m) in the year to December 31, an increase of 12 per cent, while turnover was 17 per cent higher at £74.93m. Philip Lowe, chairman, said Yorkshire's search for acquisitions is "concentrated upon companies that specialise in leather finishing products, textile process chemicals and pigment dispersions." Page 22

Funds pumped into Soviet oil

The Soviet government is pumping Rbs25bn of extra investment into the country's ailing oil industry this year. The move is aimed at preventing a further collapse of production. At the same time, special regulations have been approved allowing the oil workers of Western Siberia, the country's biggest oil field, to keep extra hard currency earnings from oil exports in an effort to improve their living conditions. Page 24

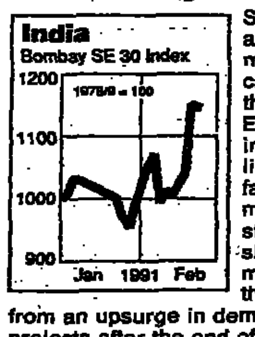
Technophone scales up

Last week's sale by Nils Martensson (left) of Technophone, the hand-held cellular phone company he founded in 1984, to Nokia, the Finnish electronics manufacturer, was motivated by a need to generate efficiencies of scale. In the face of tumbling handset prices and soaring R&D costs, Nokia and Technophone — which employs 750 worldwide and has manufacturing facilities in Camberley and Hong Kong — are likely to see a steep rise in output this year. David Owen reports. Page 21

Caution takes over among Japanese regional banks

Oita Bank had grand plans. Based in the small southern Japanese city of Oita, it was torn between New York and Hong Kong as a first foreign office, and had become newly aggressive in lending to Japanese companies far from its hometown. But, like other Japanese regional banks, its ambitions are being replaced by more modest goals. It has deferred a decision on foreign expansion and has even become more cautious about lending to Japanese companies. Robert Thomson reports on pressures facing the regional banks of Japan. Page 18

Gandhi buoys Bombay market



Signs that Rajiv Gandhi and his Congress party might be staging a political comeback helped lift the Bombay Stock Exchange 30-share index 10.8 per cent earlier this week. Another factor in the current market rally is the strong buying of cement shares. Indian building materials companies are thought likely to benefit from an upsurge in demand for reconstruction projects after the end of the Gulf war. R.C. Murthy reports. Page 36

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Colonia Vers Pf	675	+	33
Hapag Lloyd	350	+	8
Lahmeyer	1035	+	55
Falls			
BMW (Br)	469.5	−	10.2
Karstadt	581	−	10.5
Viag	351.5	−	12.3

NEW YORK ($)

Rises			
Cytogen	14⅛	+	1⅝
Hewlett-Packard	46½	+	1⅛
Zeos Int	23	+	½
Falls			
Limited	23⅜	−	¾
Glaxo ADRs	36½	−	1¾
System Software	22¼	−	7

PARIS (FFr)

Rises			
La Henin	518	+	6
Perrier	1428	+	24
Falls			
Air Liquide	664	−	13
Bancaire Cie	535	−	15
Essilor Int	382.5	−	16.5
Matra	256	−	8.5

TOKYO (Yen)

Rises			
Ishii Iron Wks	1220	+	200
Nikkiso	1380	+	200
Nippon Kinzoku	810	+	100
Falls			
Harima Chem	1250	−	100
Nippon Felt	2330	−	220
Okid Construct	995	−	85

New York prices as at 12.30pm.

LONDON (Pence)

Rises				Com Hospitals	162	−	10
Aegis	137	+	7	Glaxo	939	−	32
Business Tech	74	+	17	Grand Met	714	−	18
Colefax & Fwlr	88	+	9	Hepworth	309	−	12
Douglas (RM)	335	+	25	Holmes Marcht	55	−	5
Egerton Tst	12½	+	3	Kwik Save	529	−	16
INVESCO MIM	83	+	5	Ladbroke	258	−	8
Johnson Clnrs	420	+	18	Reed Intl	390	−	12
Prov Financial	449	+	24	Storehy	392	−	21
Triton Europe	106	+	14	Trusthse Forte	246	−	10
Falls							

Square D shares soar on $1.8bn bid

By **Martin Dickson** in New York and **George Graham** in Paris

SHARES in Square D, the US manufacturer of electrical products, soared yesterday following a $1.8bn bid for the company from Schneider, the French electrical equipment group.

Square D revealed on Tuesday night it had received a $78-a-share bid proposal, but its initial response was far from enthusiastic.

Mr Jerre Stead, chairman, said the board would review the proposal "in due course" but believed that it was in the best interests of the company and its shareholders to "continue to operate as an independent company and pursue its long-term strategic plan".

Square D's stock shot up at the opening of the New York Stock Exchange and by lunchtime was trading at $72⅞, up $21¼ from the overnight level, on volume of over 2m shares.

The company has been a rumoured takeover target since last autumn, and three months of unusually heavy trading are believed to have left many of its shares in the hands of Wall Street arbitrageurs, who specialise in bid stocks, rather than long-term investors.

A takeover would represent a significant expansion by Schneider into the US market, and would continue one of the most marked international bid trends of the past year – a wave of French acquisitions of large American targets.

Mr Didier Pineau-Valenciennes, chairman of Schneider, revealed he had been discussing a link-up with Square D for two years and had made a presentation to the company's board in September.

Square D, based in Palatine, Illinois, is estimated to have over a fifth of the US market for electrical distribution equipment, as well as a strong presence in industrial controls. Net earnings last year were $120.7m, or $4.94 a share, on sales of $1.65bn.

The company was viewed for much of the 1980s as a large but conservative manufacturer of circuit-breakers, with a lacklustre profits record, but over the last years it had undergone a shake-up aimed at raising its profile in the market for sophisticated electronic systems for factories, and at building a stronger international presence.

The French group is present in many of the same sectors as Square D through Merlin Gérin, its main electrical distribution subsidiary, and through Télémécanique, its industrial automation offshoot.

Schneider said its bid proposal was subject to the approval of Square D's board. But the French company, which has a record of hostile bids, is thought likely to launch a tender offer even if its overtures are rejected.

Schneider said the offer valued Square D at 10.6 times its earnings before tax and financial expenses, and at 17.1 times its fully diluted earnings. It was 55 per cent higher than last week's closing price for Square D shares.

"We think it would give stockholders an immediate dividend which they might not be sure of in the future, given that their company is not spending enough on research and is not international enough," Mr Pineau-Valenciennes said.

Schneider hots up the pace, Page 16; Markets, Page 36

German spotlight falls on Osram of the UK

Michael Skapinker on Siemens' plans for the British lighting business it recently re-acquired

After the first World War, the UK government expropriated the British interests of Siemens Brothers. The German group's Osram lighting brand was acquired by the General Electric Company of the UK, which renamed it Osram-GEC.

In the past five years, Siemens, which still owns the Osram name in the rest of the world, has been buying the UK business back.

Yesterday, it wrapped the process up, announcing that the Osram light fittings factory in Birmingham would be integrated into its worldwide fittings business. The UK plant will be electronically linked to Siemens' German factory to facilitate computer-aided design and manufacturing.

The fittings business, with 300 employees and a turnover of £25m, will operate separately from Osram's UK light bulb and tube manufacturing business, which has 1,500 staff and sales of £75m.

Mr Eckart Stör, the German-based general manager of Siemens' lighting systems division, says he intends to spend £5m modernising the Birmingham plant over the next three years. He concedes that these are not the happiest times for UK-based companies, but says that his long-term aim is to expand the business.

Siemens has had time to become familiar with the Osram business in Britain. In 1986, the German group acquired a 49 per cent interest in Osram-GEC, with an option to buy the remaining share. Siemens purchased GEC's outstanding 51 per cent stake in January last year. Between 1986 and 1990, Siemens took the technological lead in the partnership with GEC, concentrating on new product development and upgrading the UK manufacturing facilities.

During the period of joint ownership, GEC and Siemens invested £18m in the Birmingham fittings factory and at the light making plants in Wembley, north London and Shaw, near Oldham.

Siemens managers are polite about the Osram company they found in the UK. The financial controls were strong, as was to be expected in a GEC company. But there were differences between the British company and the Siemens-owned Osram subsidiaries elsewhere in the world.

Productivity at Osram-GEC was up to 20 per cent lower than at Osram in Germany

"People from GEC's head office very seldom visited Osram-GEC," says Mr Alan Mills, managing director of Osram in the UK. "Now it would be an unusual week when I did not have a German visitor."

Mr Mills is an old GEC hand who will not hear a word spoken against his old company. Nevertheless, he says that productivity at Osram-GEC was up to 20 per cent lower than at Osram in Germany. Since Siemens acquired its stake, he says, Osram in the UK has had "better production techniques, more of a focus on productivity as an essential part of the business, and better machinery." Under GEC, he says, there was far less product development than at Osram in Germany.

Mr Mills will continue to run Osram's light making activities in the UK, but not its fittings company. The fittings business will be headed instead by German managers. The managing director will be Mr Norbert Zipf, who has been in charge of fittings in the UK since October last year, and the finance director will be Mr Maic Köttschau, previously with Siemens South Africa.

"I don't have the people available here in the UK for these positions," says Mr Goetz Steinhardt, finance director of Siemens in the UK. "I needed to set this up very quickly and I needed people who knew the business. But they have three-year assignments and during this time we will bring local people up to speed."

The decision to split the manufacture of lights and of fittings might seem an odd one. Lighting companies today speak of the importance of offering customers "lighting solutions" which take account of the needs of their offices or factories. Would it not be better for Siemens to offer its UK customers the complete service – fittings and lamps (bulbs and tubes) – rather than expecting companies to buy them separately?

"Lamps and fittings have always been split in Siemens," says Mr Stör. "The techniques for manufacturing lamps and their sales channels have always been very different from the manufacture and marketing of light fittings. Lamps are more of a commodity than light fittings. In the fittings business you give customers advice and come up with a system for them. Around 30 per cent of our fittings in Germany are made to order for the customer. The majority of those fittings are sold without lamps."

Lit up by Siemens: the Lloyd's building in London

Siemens, which was responsible for the lighting of both the Lloyd's building and the restored Billingsgate market in London, intends to use the British company to increase its 5 per cent share of the UK fittings market. Siemens estimates that the European light fittings market is worth about £3bn a year.

Germany, the largest market, accounts for about 28 per cent of that, with the UK in second place with 20 per cent, well ahead of France with 14 per cent. Siemens believes that the two market leaders in the UK, Thorn Lighting and Philips, have about 30 per cent and 10 per cent of the British fittings market respectively.

Royal Dutch drops to £3bn

By **Deborah Hargreaves** in London

WORLD OIL prices could fall when the war in the Gulf is over, but recover in a few months, Sir Peter Holmes, chairman of Royal Dutch/Shell, the Anglo-Dutch oil group, said yesterday.

The lower prices fall initially, the quicker producers in the Organisation of Petroleum Exporting Countries will get together to firm the market, he said, and they need prices in the $17-$20 a barrel range.

Shell yesterday reported a jump of 8 per cent in its net income for the final quarter of last year to £963m ($1.87bn) from £892m in the same 1989 period, on a current cost basis which eliminates stock gains and losses.

But higher oil prices and an improvement in Shell's refining business were not enough to offset a poor performance by its chemicals division, higher tax charges and currency losses.

The company showed a drop of 16 per cent in its earnings for the full year to £3.01bn from £3.58bn in 1989.

Sir Peter said the current oil price of just over $17 a barrel probably contains a war premium of around $1 a barrel for the slight risk that Saudi Arabia's big export terminal at Ras Tannurah might be hit.

Shell's exploration and production division saw its slice of profits rise by 49 per cent last year on a current cost basis to £1.8bn, largely due to the increase in oil prices in the second half of the year. Crude oil output was 4 per cent lower than in 1989 at 1.9m barrels a day (b/d).

The company said it had lost 70,000 to 100,000 b/d output from the Brent field in the North Sea last year as it shut down facilities for maintenance, but that this production should be restored to previous levels in the current year.

Shell saw an improvement in its refining operations especially in the Far East where demand remains strong. Downstream income was up 22 per cent last year to £1.74bn.

Sir Peter said there would continue to be pressure in the refining system east of Suez after a recovery in demand over the past three years. The loss of Kuwait's oil refineries could lead to a marginal shortage of products when the war is over.

Despite the news that the dividend will be increased over 9 per cent to 20.1p for the year, the shares drifted down 4p to 464p.

Lex, Page 14

Rhône-Poulenc profits fall by two thirds to FFr1.1bn

By **George Graham** in Paris

PROFITS plunged by two thirds last year at Rhône-Poulenc, the leading French state-owned chemicals group. The declining dollar reduced the company's earnings from North American subsidiaries and brought fierce competition from dollar zone producers.

Rhône said net attributable profits dropped 64 per cent to FFr1.1bn ($216m), despite FFr1.8bn of extraordinary profits from the sale of subsidiaries, financial investments and buildings worth a total of FFr5.2bn.

Eight months of earnings from Rorer, the US pharmaceuticals company acquired by Rhône last year, were included in the results. But operating profits fell 23 per cent to FFr5.69bn.

But Mr Jean-René Fourtou, Rhône's chairman, said the group's focus on health and agricultural chemicals, which are relatively immune to the recession hitting most chemicals companies and which will account for over 60 per cent of operating profits this year, would enable it to increase its operating margin by 20 per cent in 1991 and by at least as much in 1992 and 1993.

He said the return from Rorer would already more than cover its considerable financing cost this year.

Rhône plans to cut the dividend on both its ordinary shares and its preferred non-voting stock by FFr7 to FFr20.15 and FFr25.15 respectively.

Mr Jean-Pierre Tirouflet, group finance director, said the swing into loss of Rhône's Brazilian subsidiary had brought a FFr880m deterioration in 1990 operating profits, while the effect of the weaker dollar accounted for a further FFr750m decline.

Group sales volumes fell by 0.6 per cent during 1990 and prices came down by an average of 1 per cent in difficult market conditions.

As a result of the integration for the first time of Rorer and a number of other acquisitions, however, the value of sales rose by 8 per cent to FFr78.8bn.

Net financing costs rose by two thirds to FFr3.5bn, while pay-outs on the wide range of hybrid debt-equity instruments that Rhône has issued in recent years to finance its acquisition programme fell 21 per cent to FFr845m.

Nordbanken withholds dividend as pre-tax result dives to SKr1m

By **John Burton** in Stockholm

NORDBANKEN, Sweden's second largest commercial bank group, yesterday reported a pre-tax profit of SKr1m ($180,000) for 1990, a sharp fall from earnings of SKr3.2bn in the previous 12 months. The company has withheld a dividend, after paying SKr3 last year.

Profitability, after a nominal 30 per cent tax payment, shrunk from 17.3 to 4 per cent, far below that of its main rivals, Svenska Handelsbanken with 22.2 per cent and Skandinaviska Enskilda Banken (S-E-Banken) with 11.8 per cent.

The results were blamed on credit losses and provisions of SKr4.2bn, a five-fold increase since 1989.

State-controlled Nordbanken suffered the worst among the big Swedish banks from the recent collapse of several finance and property companies. These accounted for half of its credit losses. Operating profit was SKr855m, down 74 per cent. The profit, however, virtually disappeared after the inclusion of extraordinary costs, among them a SKr865m reservation for the liquidation of ALI Finance, a London-based transport leasing company affiliated with the bank.

The accumulating credit losses forced the government, which owns 70 per cent of the capital, to dismiss Mr Rune Barneus, Nordbanken president, and other senior executives including chairman, Mr Tony Hagstrom, and most board members at Christmas.

The bank's result before the credit losses climbed 30 per cent to SKr5.9bn. Adjusted income rose 18 per cent to SKr11.8bn, while costs, excluding credit losses, increased 17 per cent to SKr6.7bn. Total assets amounted to SKr411bn.

Skandinaviska Enskilda Banken, Sweden's largest commercial bank group, announced on Tuesday that its pre-tax profit fell 36 per cent to SKr2.92bn. The fall was attributed to mounting credit losses of SKr1.4bn.

Third-ranking Svenska Handelsbanken, however, was able to limit loan losses to SKr623m and reported a 17 per cent rise in operating profit to SKr4.5bn.

INTERNATIONAL COMPANIES AND FINANCE

Polly Peck tropical fruit unit interests Geest

By Clay Harris in London and Nikki Tait in New York

GEEST, the fresh produce group which imports 60 per cent of the bananas sold in the UK, said yesterday it would be interested in buying Del Monte Tropical Fruit if Polly Peck International's administrators put it up for sale.

Mr David Sugden, chief executive, emphasised Geest wanted to buy all of Del Monte. He ruled out a deal with Chiquita Brands which would give the US banana group control of Del Monte's Latin American plantations.

On Tuesday, Chiquita was reported to have told US analysts that it had offered between $400m and $500m for Del Monte's plantations and *Asian distribution business. It* suggested that an unnamed partner might want to buy the European and North American distribution arms.

Polly Peck's administrators, meanwhile, stuck to their firm denials that Del Monte is for sale. It is the linchpin of their hopes of resuscitating the wider group which collapsed last year.

Geest wants Del Monte's Latin American assets to diversify its sourcing from Dominica, St Lucia, Grenada and St Vincent. The high-cost Caribbean bananas lose their protected status when European Community markets are opened after 1992.

Mr Sugden's remarks harden previous statements which said only that Geest "would *have to consider" Del Monte.*

Polly Peck bought the Del Monte bananas and fresh pineapple business in 1989 for $885m. Although Geest is valued at £201m ($391.9m) Mr Sugden said it would have no difficulty in financing a takeover.

He noted that Del Monte had sold nine ships for £142m since the Polly Peck acquisition. Albert Fisher Group, the UK fresh produce company, has also expressed interest in Del Monte.

Yesterday in Florida, Del Monte claimed it had been "inundated by vendors and customers asking what is happening" after Chiquita's briefing on Tuesday. In the absence of a widely publicised retraction by its rival, Del Monte reaffirmed plans for legal *action.*

Chiquita was still unavailable for comment yesterday.

Skopbank posts 17.7% decline

SKOPBANK, a commercial and central bank for Finland's 150 savings banks, said that consolidated profit before appro*priations, taxes and minority* interests fell in 1990 by 17.7 per cent to FM305.3m ($84.6m), against FM370.8m the previous year.

Skopbank, whose profitability has been undermined by plunging share prices and high Helsinki interbank offered rates (Helibor), registered an operating loss of FM339.3m last year compared with a profit of FM373.7m in 1989. The bank's pre-tax profit result was saved by FM644.6m in extraordinary items, which was mainly attributable to the sale of real estate.

Consolidated income from financial operations fell by 14.4 per cent to FM645.2m. Credit write-offs dropped to FM148.5m from FM158.7m. Credit losses in 1988 reached FM49.9m.

Of all the Finnish banks, Skopbank has been one of the hardest hit by tumbling share prices and deregulation. The bank was heavily involved in investment banking during 1984-89.

Earnings per share also plummeted to a loss of FM4.64 from a profit of FM1.92. Return on equity also fell to a loss of 9.5 per cent from a profit of 6.6 per cent. The board will not propose a dividend for 1990.

Jyske Bank in DKr202m loss

JYSKE Bank, Denmark's third largest commercial bank, suffered net losses of DKr202m (US$35m) compared with net profits of DKr14m last year. Losses and loan provisions for 1990 rose to DKr898m, which is more than twice the figure of the previous year, writes Xueling Lin in Copenhagen.

The Jutland-based bank has been hit, like the other major Danish banks, by the surprise collapse last autumn of the Northern Feather Group, the largest bedding, home furnishings and textile company in Denmark. Losses related to Northern Feather alone accounted for DKr100m.

Trygg-Hansa Liv dips 32% as premium income slides

TRYGG-HANSA LIV, Sweden's biggest life insurance company, yesterday reported that operating profit fell by 32 per cent to SKr2.38bn ($427m) for 1990, while premium income declined by 5 per cent to SKr6.8bn, writes John Burton.

Trygg-Hansa, which recently merged with the Swedish pension insurance fund SPP, said the downturn in premium income had been expected *since the volume of single-premium* capital insurance contracts had been abnormally high in 1989 due to favourable tax rules then prevailing.

However, Trygg-Hansa said it had outperformed the industry average with the combined premium income for all Swedish life insurance companies decreasing by 15 per cent in 1990.

This was because it had signed fewer single-premium policies than its competitors. Profits were also affected by the falling value of shares and other financial investments. Adjusted income from the capi*tal markets fell by 12 per cent* to SKr3.5bn, while the market value of its investment assets declined by 2 per cent to SKr59bn.

Underlying tone firm at Time Warner

By Karen Zagor in New York

TIME WARNER, the world's biggest media and entertainment company, posted strong underlying fourth-quarter results. However, expenses related to the merger of Time Life and Warner Communications pushed the company into the red.

The net loss for the three months to December 31 was $34m, or $3.08 a share, against $175m, or $5.52, on a pro forma basis in 1989. Revenues in the quarter rose to $3.29bn from $3.09bn.

The company's film, *recorded music, cable televi*sion, publishing and other businesses were profitable in the quarter, generating operating income of $354m, compared with $126m a year earlier on a pro forma basis.

But the group has huge interest expenses on its $11bn of debt, and has been charging off related interest expenses and amortisation costs each quarter as a result.

Earnings before interest, tax, depreciation and amorti*sation (EBITDA) were $634m in the 1990 quarter against* $574m a year earlier, excluding a loss of $162m from Scott, Foresman, which was sold in December 1989.

Wall Street reacted favourably to the results, and shares in Time Warner added $1 to $110¾ at mid-session in a declining market. The stock traded at $71¾ after the company released its third-quarter results in October.

Mr Steven Ross, chairman, *said the results were pleasing,* given the slow US economy. He added that 1990 was the best year ever for four of Time Warner's businesses – filmed entertainment, recorded music, cable and Home Box Office. "We look forward to continuing growth in 1991."

Although EBITDA at Time Warner's magazine division fell to $280m in the year from $318m, the company attributed it to the start-up costs of Entertainment Weekly.

For the whole of 1990, the company recorded a net loss of $227m, or $13.67, against $432m, or $17.29, on a pro forma basis.

Schneider hots up the pace in international line-up

MR Didier Pineau-Valenciennes, chairman of Schneider, the French electrical engineering and construction group, has spent the past two-and-a-half years eyeing the US; and for much of this time he has been in discussions with Square D, the leading US electrical distribution manufacturer.

The talks have been friendly but fruitless, so Mr Pineau-Valenciennes has decided to take matters into his own hands with a $1.8bn cash bid.

"Square D's board has appeared to share our views on the development of the market, but every time the stumbling block was that they wanted to remain independent – and we got the same answer again on *Tuesday," Mr Pineau-Valenci*ennes said yesterday.

Schneider's decision to launch the $78-a-share bid was triggered by two factors: the slowdown in the electrical equipment market, which has greatly increased competition and which Mr Pineau-Valenciennes expects to accelerate the process of restructuring in the industry, and the speculation surrounding Square D's shares, which have been heavily traded in recent weeks.

"The faithful stockholders such as the pension funds have mostly sold their shares, so the company is now in the hands of the arbitrageurs. Anyone could have come along, so I preferred to make this friendly proposal before something happened that we could not control," Mr Pineau-Valenciennes said.

The longer-term reasons for the bid, however, remain the same that he has been explaining both to Square D's board and to Paris financial analysts for the past two years.

Mr Pineau-Valenciennes used to be known in France as "Doctor Attila" for his slash and burn tactics in overhauling the limping Empain-Schneider business empire in the early 1980s. Now he has rebuilt a group centred on four main subsidiaries: Merlin Gérin in electrical distribution equipment, Télémécanique in industrial automation components, Jeumont Schneider in electrical generation and power drive equipment, and Spie Batignolles in contracting and civil engineering.

"We really think there is an internationalisation of our businesses. The globalisation which started about five years ago is now accelerating fast," he says.

This analysis appears to be borne out by the arrival in force of Emerson, the US electricals group, to compete with Merlin Gérin in some of the European markets it has dominated until now.

George Graham looks at the attempts by the French group to find a way into the US electrical equipment market

Mr Pineau-Valenciennes argues, however, that it is now *just the companies which are* becoming international: products, too, are now being developed for worldwide sale, and this entails a much greater need for investment in research. He compares Square D's $50m research expenditure, around 3 per cent of sales, unfavourably with the 8 per cent of sales Schneider devotes to research.

"We can bring them the new products they need," he says.

It also means, however, a reversal of the recent trend in the electrical equipment industry for manufacturing to be shifted to lower cost countries.

"Delocalisation is no longer the answer; the answer is the concentration of production, with wide markets to amortise costs," Mr Pineau-Valenciennes explains.

A successful bid would create a group twice as large as its nearest competitor in the world market for electrical distribution equipment, Schneider argues.

It already controls Federal Pioneer, the market leader in Canada with a share of over 30 per cent, *acquired last year* for C$294m, as well as Merlin Gérin in Europe: its weakness in the US would be immediately remedied by Square D's US market share of around 20 per cent.

The Schneider bid is conditional on receiving the approval of Square D's board, and Mr Pineau-Valenciennes says he has thrown in a number of "personal sweeteners" to demonstrate the confidence he has in the current management, including a seat on the Schneider board for Mr Jerre Stead, Square D's chairman.

Mr Pineau-Valenciennes is not, however, entirely unused to hard-fought takeover battles. In 1988, he embarked on a bid for Télémécanique, France's leading industrial automation company, which turned into one of the most bitter and fiercely-contested tussles the Paris stock market *has seen.*

The story of the proud and independently minded Télémécanique, now happily integrated into the Schneider group, certainly proved that "Doctor Attila" is capable of pampering the desires of its subsidiaries to maintain their autonomy.

Some financial analysts point out, however, that it also shows that Schneider may have exaggerated the benefits *to be drawn from the merger:* the synergies between Télémécanique and Merlin Gérin have been much slower to emerge than had been hoped.

"Still, with the dollar at FFr5, it is now or never," comments Mr Christian Cherblanc, analyst at Paris brokers Cholet Dupont.

Lloyds Abbey Life advances 8.2%

By Eric Short in London

LLOYDS Abbey Life, the life assurance and financial services arm of Lloyds Bank, yesterday reported pre-tax profits of £318.9m ($621.8m) for 1990. The result, which was 8.2 per cent higher than in 1989, exceeded even the most optimistic analysts' forecasts.

After-tax profits were up 6.2 per cent on the previous year to £210.1m, while earnings per share came out at 30.9p, against 29.8p.

However, the dividend remains at 17p, the rate paid when the group was created in 1989 after Lloyds Bank bought control of Abbey Life.

Mr Michael Hepher, chairman, indicated it would probably remain unchanged until pre-tax profits stabilised at around twice the dividend payments.

The group's insurance business showed almost a 20 per cent overall pre-tax profit increase from £220m to £264.8m.

This growth, however, came from the success of the bank-orientated insurance operations: the in-house life and financial services operation, Black Horse Financial Services, and the insurance brokerage arm, Lloyds Bank Insurance Services.

In a year when life assurance sales were generally dull, Black Horse Financial Services recorded a one-third increase in regular premium business and a 50 per cent rise in single premium business.

With most of this business coming directly from bank customers, the company's strategy of concentrating its business outlets through "warm leads" from its customer base appears to be working.

Using the new style "embedded value" to ascertain life company profits, Black Horse recorded a 60 per cent rise to £67m.

Similarly, sales of general insurance products and the provision of independent insurance advice to bank customers enabled Lloyds Bank Insurance Services to record almost a 40 per cent profit rise to £48.7m.

In contrast, Abbey Life, whose sales associates market through "cold calling," had dull new business figures last year. Its embedded value profits were only 4.8 per cent higher at £142.3m.

Profits from European business fell by a quarter to £6.8m.

The estate agency operation, Black Horse Agencies, showed a profit of £12.7m against a loss of £5.3m last year.

Lex, Page 14

Cut in output by Hoogovens hits share price

HOOGOVENS, the Dutch steel and aluminium group, said it planned to cut steel production by up to 15 per cent over the next few months in response to a decline in orders caused by the Gulf war and the general climate of economic uncertainty, writes Ronald van de Krol in Amsterdam.

The company's shares fell sharply on the news, tumbling by 12.6 per cent to close at Fl 45.60 ($27.15).

The production cutbacks, expected to range from 10 per cent to 15 per cent of normal output, will mainly affect Hoogovens' *hot strip mill* and one of its two cold strip mills.

The company said it was also studying additional short-term measures *such as* an acceleration of its cost-cutting programme and the introduction of shorter working weeks for some of its 27,600 employees.

Cepsa flat with pre-tax profits of Pta12.3bn

By Peter Bruce in Madrid

CEPSA, the biggest private sector oil refiner in Spain, has reported barely unchanged pre-tax profits for 1990, up just 1.6 per cent on 1989 to Pta12.3bn ($132.4m). Turnover had risen *10 per cent to Pta299.5bn.*

Cepsa is controlled by Banco Central, one of Spain's leading commercial banks, which directly and indirectly controls more than 30 per cent of the company. Elf Aquitaine of France recently bought a 25 per cent stake in the company and IPIC, the Abu Dhabi state owned refiner, has a 9.6 per cent stake. Cepsa imports some 25 per cent of its crude oil from Abu Dhabi.

Cepsa said the results were "very positive" in the light of events in the Gulf. With falling oil prices, analysts expect Cepsa to considerably improve its margins. In the first half of last year, sales fell 9 per cent as oil prices fell but its sales margin increased by 6 per cent.

The market had been expecting Cepsa to do little better than repeat its 1989 results. Along with most other Spanish refiners, the group has been investing heavily to prepare itself for the complete liberalisation of the Spanish fuel and lubricants market next year.

Cepsa is likely to reap substantial benefits from a coming break-up of the state-controlled petrol distribution monopoly, Campsa, in which all refiners, including the state-owned giant, Repsol, have shares.

Cepsa will be handed a string of service stations to add to its existing 600 and although foreign multinationals are clamouring to enter the Spanish market, they are likely to find the established local refiners like Cepsa tough competition.

BfG sees better 1991 after big shake-up

By Katharine Campbell in Frankfurt

BfG, the struggling, former trade union bank, will show a "clear operating loss" in 1990, but expects an improvement in 1991 as a result of its sweeping restructuring programme.

Mr Paul Wieandt, who joined as chief executive a year ago, was at pains yesterday to inject a note of optimism despite 1990's bleak figures, detailed sweeping staff cuts under way, a new managing board, and branch closures, marking the start of a three-year programme costing DM100m ($67m) in 1990.

BfG's problems, stemming *largely from a combination of* rampant costs and a shaky loan book, have weighed heavily on its two shareholders, Aachener & Münchener, the big insurance group, and BGAG, the trade union holding company.

Only in December, the two parties were called on for an emergency DM500m cash injection, which Mr Wieandt yesterday confirmed was to cover write-downs of the same sum on loans to eastern Europe.

Moreover, write-downs on the securities portfolio amounted to DM150m, investments in new technology cost DM25m, and credit business showed a pronounced drop during the chaos of reorganisation.

By the end of last year, BfG had shed 765 staff, with a further 335 to go by the beginning of April. The bank is understood to be aiming at shedding around one-third of its workforce, or a total of 2,700 people.

Mr Wieandt said that overall personnel costs would be lower in 1991, despite payouts relating to the reductions.

BfG has helped the position by selling its partially-completed headquarters last year, to an investor group that includes Deutsche Bank, for a rumoured DM1.2bn.

While BfG had agreed a further DM500m capital increase from its shareholders for early this year, *after a first round* last October, Mr Wieandt cast doubt on whether that would be necessary, whilst firmly denying any connection with the December cash injection.

Deckel forecasts 10% sales downturn

By Katharine Campbell

DECKEL, the German machine tool manufacturer, expects sales this year to fall by some 10 per cent and blames weaker export markets and the effects of the slowing domestic economy.

Mr Peter-Jürgen Kreher, chief executive, who has initiated a significant restructuring programme at the lossmaking group, said that the introduction of part-time working might be necessary if the slow-down at Deckel continues.

Meanwhile, the benefits of restructuring, which has entailed cutting back on non-core businesses, are already apparent in the 1990 figure, Deckel said.

Sales are expected to show a 25 per cent increase to DM602m ($406.7m), while 1990's losses should be around a quarter of the 1989 figure of DM45m.

By the end of last year, Deckel had shed around 10 per cent of its staff, bringing the number of employees down to 2228, and it aims a further reduction of the figure to below 2,000.

Weaker orders from abroad in the second half of 1990 – as the *strength of the D-Mark* and slowing foreign economies affected most of the machine tool branch – meant that the order book, at DM616m, stood 5 per cent below its 1989 value.

United Technologies unit to cut up to 1,500 jobs

By Martin Dickson in New York

UNITED Technologies, the diversified engineering group, has forecast a drop in first-half profits and said its Pratt & Whitney aero-engine business would cut between 1,000 and 1,500 jobs by the end of June.

UTC blamed the staff reductions and much of the anticipated profits decline on the impact of the Gulfwar on the world's airline industry.

Another factor hitting profits was the downturn in the US construction and motor industries. UTC subsidiaries include Otis, the maker of lifts; Carrier, the air conditioning company; and UT Automotive, which makes automotive parts.

Mr Robert Daniell, chairman, said: "The first half will be down for UTC, unless the nation gets a few pleasant surprises that jump start the economy."

In the first half of 1990, UTC reported net income of $342m, or $2.69 a share, on revenues of $10.5bn.

Mr Daniell added that the longer term continued to look "very, very bright," with overseas markets, which now account for 53 per cent of revenues, expected to grow rapidly.

Company officials said Pratt & Whitney, which has a $25bn backlog of commercial engine orders – some $15bn of them firm – had not seen any dramatic movement by crisis-hit airlines to cancel deals.

However, the aviation downturn had hit Pratt's most profitable business, spare parts. The subsidiary said in August it would cut its workforce by about 4,000 by the end of 1993 due to cuts in US defence spending.

It now says the downturn in the commercial airline equipment business means it will have to speed up the job losses, mainly through lay-offs.

Pratt also disclosed it had signed an agreement with the Soviet Union to supply its mid-sized PW 2000 engine for two new Soviet aircraft.

However, the deal will not generate profits in the near-term, since these are aircraft the Soviet Union would like to sell to the west. For this, it must first reach western certification standards, which is likely to take a long time.

Strong sales overseas lift Sony 12.8% to Y104bn

By Emiko Terazono in Tokyo

SONY, the Japanese consumer electronics maker, reported a 12.8 per cent rise in pre-tax profits to Y104.7bn ($803.5m) for the third quarter to December.

The group posted a 17.5 per cent rise in sales to Y1,022.9bn for the three months and a 19.6 per cent advance in after-tax profits to Y50bn.

The company attributed the strong results to a 24.9 per cent rise in overseas sales, which accounted for 72 per cent of total turnover.

Sales for 8mm video cameras and compact disc players remained brisk, but Sony said that operating profit declined 10.5 per cent to Y94.8bn due to the strong yen.

For the full year, Sony projects consolidated sales to rise by 25 per cent to Y3,600bn and after-tax profit to rise 11.9 per cent to Y115bn.

Investment in plant and equipment is expected to rise to Y400bn from the previous year's Y323.8bn.

Regional banks return to basics

Robert Thomson on the financial pressures facing Japanese institutions

LIKE most of Japan's regional banks, the Oita Bank had grand plans. The bank, based in a small southern city of the same name, was torn between New York and Hong Kong as a first foreign office, and had become newly aggressive in lending to Japanese companies far from the hometown.

The obvious ambitions of regional institutions had prompted foreign expectations of a new wave of Japanese activity in international markets, expectations heightened last August when a Japanese regional, Hiroshima Bank, lead managed an internationally syndicated loan for the first time.

But the grand plans are being replaced by more modest goals. The Oita Bank has deferred a decision on foreign expansion "until our present problems are overcome", and has even become more cautious about lending to Japanese companies.

All Japanese banks have been hurt by the plunge in the securities markets and the surge in interest rates over the past year. The Bank of Japan and the ministry of finance were concerned that regional banks could be particularly vulnerable and suggested that they go back to the basics of regional banking.

The banks were advised to limit asset growth and to improve their capital to asset ratios, and it appears they are taking the advice. Regionals' loan growth compared with a year earlier was only 7.2 per cent in January, down from 14.3 per cent last June.

Pre-tax profits at the 10 largest regionals fell 26.4 per cent in the half to end-September, and only a third of the 64 first-rank regionals were above the targeted 8 per cent capital to assets ratio, after virtually all were comfortably above that mark a year ago.

Japan's regional banks were thought of as conservative institutions. They are sometimes run by former finance ministry bureaucrats sent down from Tokyo and tend to work closely with mayors and governors in drafting development plans and funding large projects for their region.

There are also regional banks in Tokyo, as banks outside the core city or commercial banks are regarded as regional, regardless of location. The Tokyo Tomin Bank, a specialist in lending to small businesses, is the 35th largest regional bank.

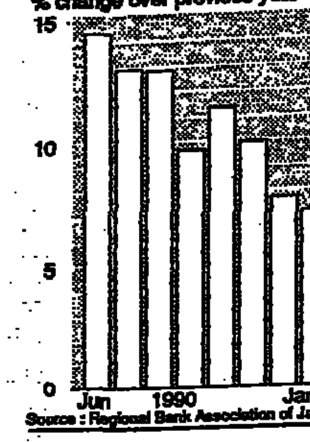
More typical is the Hokuriku Bank, which is based in western Japan and which held a reception late last year in London for 400 City folk to celebrate the opening of the first Japanese regional bank branch. Mr Masayuki Naruto, general manager of the bank's foreign department, said that, even before the London party began, the bank had frozen foreign asset growth.

"We have to look after the interests of our old Japanese clients and we can't afford to lend to foreign companies and foreign governments. We are getting requests for loans to US companies, but we do not want to make that kind of loan," Mr Naruto said. "I have told our foreign offices not to increase assets."

Part of the reason for the policy change is that some regional banks are attempting to clean up books spoiled by large loans to Japanese clients who have been hit by the surge in interest rates and by their speculative excesses. Hokuriku Bank is the leading bank lender to the recently failed Nanatomi, a property developer and stock speculator, while Oita Bank lent to Itoman, the stricken trading house now under reconstruction by Sumitomo Bank.

Lending growth of Japanese regional banks

% change over previous year



Source : Regional Bank Association of Japan

Not that Oita Bank neglected the local area. Nissan Motor has just decided to build an Y80bn ($613m) component plant in Oita, and the region's governor and bank president helped to negotiate the deal. The bank-company relationship would be secured, an Oita bank official explained, by the bank's willingness to purchase Nissan shares.

Just as Tokyo and Osaka banks hold stakes in their leading customers, regional banks buy shares in the locally-based listed firms. A Bank of Japan regional officer said that financial pressures have forced some banks to reduce these shareholdings, though he presumes that the holdings will be topped up again when the pressures ease.

Japanese regional banks originally opened representative offices abroad as a means of helping local companies conduct their foreign business. But their ambitions were broadened by Japan's expanding international role and partly because a New York or London office had become a fashionable banking accessory.

Foreign business has fallen out of fashion as medium-sized regional banks realise they can't afford the luxury. A senior Bank of Japan official said regional banks have understood they must be wary of the speculative swirl at home and be cautious of expansion abroad.

"The financial situation has changed completely. We really don't have to tell them that. They recognise these facts and they are trying to adjust to the new situation," the official said.

Ms Alicia Ogawa, senior analyst at S.G. Warburg Securities (Japan), said some regional banks are "in better shape than the city banks", and these institutions are still keen to expand functions such as credit analysis and to establish mergers and acquisitions departments.

"About eight to 10 of the regional banks have strong capital adequacy ratios. Some of the rest are going to have trouble keeping their present clientele happy," Ms Ogawa said.

Recognising the need to improve capital adequacy, the finance ministry recently gave approval for regional banks to tap the trust banks for subordinated loans, which help to improve the Bank for International Settlements (BIS) ratio.

At the same time, regional banks wanting to reduce loan levels are reported to have begun negotiations with influential, big city companies such as Mitsubishi Materials and Marubeni, the trading house.

Placer Dome reports net up at C$191m

By Robert Gibbens in Montreal

PLACER DOME, Canada's biggest gold-producer, reported a decline in earnings from mining operations in 1990 because of low silver and base metals prices, investment write-downs, higher depreciation, and financial charges.

But final net income, after including a gain on the sale of its oil and gas business, was C$191m (US$165.5m), or 81 cents a share, against C$125m, or 53 cents, in 1989. Revenues were C$1.08bn, against C$904m.

The fourth quarter showed a loss of C$8.8m, or 4 cents, after write-downs, against profit of C$34.8m, or 15 cents, a year earlier. Revenues rose to C$287m from C$268m.

Continuing operations showed net profit of C$73.4m, against C$111m, mainly from the metal mining group.

Net gold output from mines in North and South America and south-east Asia was 1,411,000oz, against 1,183,000oz, silver 12.9m oz (9.1m oz), and copper 57.6m lb (56.2m lb).

Olympia & York benefits from Allied-Lyons sale

By Bernard Simon in Toronto

OLYMPIA & York Developments, the real estate developer building the Canary Wharf project in London, is to receive C$420m (US$364m) in special dividends from a subsidiary which last week sold its 9 per cent stake in Allied-Lyons, the UK food and drinks group

GW Utilities, which is 89 per cent owned by O&Y, said yesterday it was paying a special dividend of C$12 a share from the proceeds of the C$901m sale of the Allied-Lyons shares. The bulk of the remaining amount has been used to reduce GWU's bank debt in Britain.

The latest dividend brings to C$770m the amount received by O&Y from recent asset sales. GWU declared a C$10-a-share dividend towards the end of last year after the disposal of its controlling interest in Consumers Gas, Canada's biggest natural gas utility.

The Toronto-based Reichmann family which controls O&Y keep the company's financial condition a closely-guarded secret. The Reichmanns have indicated they have taken a strategic decision to concentrate on their core real estate interests and to increase liquidity.

GWU said its parent company is proceeding with plans to buy out its minority shareholders at C$18 a share, after payment of the special dividend. The privatisation, expected to be completed by mid-year, is conditional on GWU's 41 per cent-owned affiliate Interhome Energy disposing of its wholly-owned oil and gas subsidiary Home Oil.

Analysts expect the Home Oil sale to be followed by the disposal of Interhome's other main division, Interprovincial Pipe Line, Canada's main oil pipeline operator. The IPL sale is expected to raise about C$800m.

The gain from the Consumers Gas sale was the main reason for a sharp rise in GWU's earnings to C$244m (C$6.21 a share) in the six months to December 31, from C$6m (15 cents a share) a year earlier.

Benguet posts fall in net income

By Greg Hutchinson in Manila

BENGUET Corp, a leading Philippine gold and copper producer, reported that consolidated net income fell to 251.7m pesos (US$9m) in 1990 from 342.3m pesos in 1989.

A 20 per cent depreciation of the Philippine peso during 1990 contributed to lower net profits in dollar terms.

Operating revenue increased slightly to 3.99bn pesos from 3.96bn pesos, despite reduced production volume, particularly from the Benguet underground gold mines. Those mines were severely affected by last July's earthquake, and output has not fully recovered.

Earnings from operations came mostly from the open-cut Dizon copper-gold operations, which increased earnings to 333.1m pesos from 287.6m, due to the peso devaluation and reduced net production costs.

Production of gold at Benguet, the country's largest gold mine, fell to 235,584oz in 1990 from 268,885oz in 1989.

Mayne Nickless interim net profits slip 21%

By Kevin Brown in Sydney

MAYNE Nickless, the Australian transport, security and health care group, yesterday announced a fall of 21 per cent in interim net profits to A$51.3m (US$40.7m) on turnover up 10 per cent to A$1.5bn.

The result underlines the serious impact of recession on Australian transport companies. TNT, one of the world's biggest integrated transport groups, announced a fall of 31.5 per cent in net profits earlier this week.

The Mayne Nickless result was in line with market expectations, but the company said the fall in net profits was only 13.7 per cent excluding abnormal profits of A$6.1m before tax in the corresponding period of last year.

The shares closed 20 cents lower on the Australian Stock Exchange at A$6.20. The directors cut the interim dividend by 2.5 cents to 17.5 cents, but said the full-year dividend would be maintained "in the absence of any material deterioration in second-half profits."

The board said difficult economic conditions had persisted throughout the half in many of the countries in which the group operates. Road express and freight forwarding operations in Australia had suffered reduced volumes.

Results from operations in continental Europe were "sound", but were offset by reduced earnings from Parceline, the British express delivery business, which was hit by the depressed trading environment in the UK. Trading results were "most encouraging" in North America, despite economic downturns there.

The group said results for the first two months of the second half had shown no indication of an upturn in trading volumes, but there had been an increase in revenue from new businesses such as its hospitals activities.

At the operating level, earnings from the transport division fell 18.8 per cent to A$37.1m, but the contribution from the security services division rose 4.7 per cent to A$37.4m.

Hospitals of Australia (HoA), the group's 82.4 per cent health care subsidiary, earlier reported an increase of 125 per cent in net profits to A$1.85m. (correct). Mayne Nickless has made an offer for the HoA shares it does not own, and the board said growth prospects were "encouraging".

BIL may have to buy further 9.5% of CHH

Terry Hall in Wellington

BRIERLEY Investments (BIL), the New Zealand company founded by entrepreneur Sir Ron Brierley, yesterday confirmed it had entered into a put option which could require it to buy a further 9.5 per cent of Carter Holt Harvey (CHH), bringing its holding to 27.5 per cent of the New Zealand forestry group.

However, Mr Paul Collins, chief executive, said the chances of BIL being called on to buy the extra shares were extremely remote.

He said the arrangement had been entered with the Bank of New Zealand to safeguard the bank under capital adequacy rules which ensured the bank did not have too large an exposure to any one company.

In effect, BIL, as the main shareholder in CHH, was acting as a third party in a temporary financing arrangement.

The option, which expires on March 27, could require BIL to buy up to 56,960,000 shares in CHH at NZ$1.15 a share. CHH is currently selling at around 80 cents above that price, and Mr Collins said that while BIL would like to acquire that parcel at that price, it was most unlikely.

BIL has no power to insist on exercising its rights to the shares at NZ$1.15

Pasminco falls 92% and forecasts loss for full year

By Kevin Brown

PASMINCO, the Australian metals producer, yesterday announced a 92 per cent fall in net profits from A$77.6m (US$61.5m) to A$6.4m for the six months to December, and warned it would make a "significant loss" for the full year.

The company said there would be no interim dividend, against a dividend of 4.5 cents at the end of last year's first half. The shares closed 8 cents lower on the Australian Stock Exchange at A$1.20.

The interim result reflected a 13 per cent fall in the Australian dollar price of zinc, its major product, which was only partially offset by a six per cent increase in the average price of lead.

Lower zinc prices and adverse exchange rates kept revenue almost static at A$877m against A$875m in the corresponding period, but the cost of sales and exploration rose from A$726m to A$828m, cutting pre-tax profits from A$149m to A$42m.

Pasminco said the increased cost of sales reflected higher production and the impact on its European smelting operation of the strength of sterling and the Dutch guilder against the US dollar. The directors said prices for zinc and lead had deteriorated since the end of the half year, while the increased strength of the Australian dollar against the US dollar would depress earnings in Australian dollar terms.

"In the absence of any major improvement in these prices and more favourable exchange rates the outlook for the year to June 30 is for a significant loss," the board said.

Mr Peter Barnett, chief executive, said Pasminco would cut planned capital expenditure by A$100m this year by deferring some projects.

"On the pure economic fundamentals, we don't believe there is [likely to be] any significant improvement in metals prices in the near term, and we are planning our business operations around that sort of scenario," he said.

● The Australian government will receive an official report next week valuing state-owned airlines Qantas Airways and Australian Airlines in preparation for their sale, according to Mr Ralph Willis, finance minister, Reuter reports.

He said the study by private analysts will suggest possible selling methods. It will be assessed by the relevant ministries and a recommendation put to the cabinet.

INTERNATIONAL CAPITAL MARKETS

NY rallies on hopes of easing in credit crunch

By Patrick Harverson in New York and Tracy Corrigan in London

COMMENTS from the Federal Reserve chairman that seemed to dampen hopes of an imminent interest rate cut combined with worse-than-expected news on inflation to send bond prices lower in New York yesterday morning. But the market recovered later in the session on hints from the Fed that bank reserve requirements might soon be loosened.

At midday, the benchmark 30-year Treasury bond was down just 1/8 at 98 31/32, to yield 7.994 per cent. Earlier in the morning, the long bond had been down over half a point. The two-year note was unchanged at 100 7/32, yielding 6.857 per cent.

The early declines came after Mr Alan Greenspan, the Fed chairman appearing before a Congressional committee yesterday, warned that the danger of inflation had not passed. He hinted that any planned cuts interest rates had been shelved for the moment.

His testimony followed data showing consumer price inflation rose 0.4 per cent in January. The increase in the core rate, which excludes food and energy prices, was even higher, at 0.8 per cent for the month. Both figures were above market forecasts.

However, there was some cheer for the market in Mr Greenspan's suggestion that there was room for further action to ease the credit crunch. Such action could take the form of another reduction in banks' reserve requirements, or measures to give banks greater access to the Fed's discount window, through which banks borrow money against collateralised securities.

Fed funds continued to trade above the target rate of 6¾ per cent, in spite of overnight system repurchase agreements concluded mid-morning by the monetary authorities. The rate remained firm because of demand for funds at the end of the two-week statement period.

At midday, Fed funds were unchanged at 7 per cent.

■ Prices in the German bond market shed a further 30 basis points yesterday, as the technical correction which began on Tuesday persisted in early trading. The tone of the market suffered from the fading of hopes of an imminent solution to the Gulf war.

The March bund contract on the London International Financial Futures Exchange fell as low as 85.27 yesterday, having peaked at 86.66, that contract's all-time high, on Tuesday. A renewed spate of selling during the morning session was triggered by rumours that another new bund issue would be launched on Friday.

However, the rumour was unsubstantiated, and the market began to pick up again during the afternoon session on short-covering and some retail interest, to end at 85.62. Dealers said the market still looks technically vulnerable.

■ UK Gilt prices fell about ¼ point in the cash market, but losses in the futures market were more substantial. The gilt future on Liffe shed about ¾ point to close at 92.31. Dealers said the weakness of the German market was dragging down the rather overbought gilts market.

The latest UK money supply data for January fuelled hopes that a further cut in interest rates will be sooner rather than later.

In particular, the lower-than-expected M4 figure of £3.1bn for bank and building society lending helped shore up market sentiment.

■ The Japanese government bond market is edging towards the bottom end of its current trading range, partly under the influence of tight monetary policy by the Bank of Japan. The bank unexpectedly recalled Y1,000bn of loans to city banks in the money markets, putting pressure on the overnight call rate, and dashing hopes of an imminent interest rate cut.

The new No. 129 benchmark was yielding around 6.30 per cent at London's close, near the bottom of its price range.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	104-00	-	10.86	10.86	11.40
		9.000	03/00	94-20	-05/32	9.92	9.94	10.26
		9.000	10/08	94-03	-09/32	9.70	9.70	9.91
US TREASURY *		7.750	02/01	99-14	-03/32	7.83	7.77	8.05
		7.875	02/21	98-13	-07/32	8.02	7.95	8.22
JAPAN	No 119	4.800	06/99	90.1522	-0.046	6.64	6.68	6.85
	No 129	6.400	03/00	100.6067	-0.148	6.30	6.34	6.57
GERMANY		9.000	01/01	104.5000	-0.500	8.31	8.42	8.87
FRANCE	BTAN	9.000	02/96	99.0036	-0.118	9.25	9.40	10.09
	OAT	9.500	01/01	103.1000	-0.210	9.01	9.15	9.65
CANADA *		10.500	03/01	105.9500	-1.000	9.56	9.56	10.08
NETHERLANDS		9.250	11/00	104.5500	-0.260	8.54	8.70	9.15
AUSTRALIA		13.000	07/00	108.9942	-0.304	11.41	11.50	11.90
BELGIUM		10.000	08/00	105.1500	-0.600	9.15	9.10	9.71

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

EIB increases CP facility to L600bn

THE European Investment Bank (EIB), is raising to L600bn the commercial paper programme arranged last May by IMI Bank (Lux), the Luxembourg Eurobond operation of Italy's Istituto Mobiliare Italiano, writes Haig Simonian in Milan.

At the same time, IMI said IMI (Lux) will shortly start making markets in lira-denominated Eurobonds, with Ecu bonds coming soon after.

The lastest change to the EIB note issuance facility represents the second increase from the original L200bn launch size, and follows the market's favourable reaction to the issue, according to IMI.

The paper, which carries a maximum maturity of one year, has allowed the EIB access to funds at considerably below Libid, even in adverse conditions.

The EIB is the only supranational institution to issue Eurolira commercial paper.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on February 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅝	102⅛	-⅛	7.98	BAYERISCHE VEREINS INT 7 94 LFr	600	92	93	+¼	9.84
ALBERTA PROVINCE 9 3/8 95	600	104½	104⅞	-⅛	8.16	KREDIETBANK 7 93 LFr	1000	93¾	94¾		9.88
AUSTRIA 8 1/2 00	400	100¼	100½	-⅛	8.46	WORLD BANK 8 96 LFr	1000	94⅝	95½	+½	9.38
BANK OF TOKYO 8 3/8 96	100	99	99½	-⅛	8.62	AMRO BANK 6 1/4 92 Fl	150	94¾	95¾		10.08
BELGIUM 9 1/8 92	400	102⅛	102½	-⅛	7.59	RABOBANK 5 3/4 93 Fl	150	92⅝	93⅛		10.08
BFCE 7 3/4 97	150	98	98½		8.18	ALBERTA PROVINCE 10 92 C$	500	99⅞	100⅛	-⅛	10.01
BNP 8 5/8 94	300	101⅞	102¼	-⅛	7.95	BCE INC 9 5/8 93 C$	300	98⅝	99⅛		10.32
BP CAPITAL 9 5/8 93	150	102⅝	103⅛	-⅛	7.99	BELL CANADA 10 5/8 99 C$	150	101⅛	101⅞	-⅛	10.37
[illegible]						[illegible]					
GENERAL ELECTRIC 5 3/4 93						OGDEN 6 02	85	39.077	74⅝	75⅝	+33.60
INTER AMER DEV 7 1/4 00	30000	104	104⅛	-⅛	6.65	PACIFIC DUNLOP 6 3/4 97	75	3.749	109½	110⅛	-4.18
ITALY 5 3/4 92	150000	98⅞	99⅛		6.96	TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	82⅞	83⅛	+67.54
KANSAI ELEC PWR 4 5/8 94	60000	94⅛	94⅝	+⅛	6.72	THORN EMI 5 3/4 04 £	103	7.45	109⅞	110⅛	+22.58
NIPPON TEL & TEL 5 7/8 96	50000	96⅛	97		6.58						
NORWAY 5 1/8 95	50000	94⅞	95		6.62						
SWEDEN 5 5/8 95	20000	96	96½	+⅛	6.65						
WORLD BANK 6 3/4 00	50000	101⅞	101⅞	-⅛	6.54						

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Citicorp may sell stake in credit card business

By Martin Dickson in New York

CITICORP, the largest US banking group, is exploring the possible sale of a 20 per cent stake in its credit card business to raise more than $1bn and boost its equity capital base.

The idea is part of the bank's strategy to increase its equity base by some $4bn to $5bn over the next two years. Citicorp has a large problem loan portfolio and is widely regarded on Wall Street as being inadequately capitalised.

Its credit card business is the biggest in the US, with more than 26m cards outstanding and some $28bn of receivables under management.

Citicorp declined to comment on the possible stake sale, but it is understood the bank has retained Goldman, Sachs, the investment bank, to explore the possibility of an initial public offering of shares or a placing with one or more large investors.

Analysts said a successful sale could give a boost to another Citicorp capital raising initiative – its efforts to place $1bn to $1.5bn of convertible preferred stock with international investors, where commitments have been slow to materialise.

A sale of the credit card stake might boost the confidence of potential preferred stock investors in the bank's ability to meet its capital raising goals.

The credit card move follows the surprisingly successful initial public offering last month of shares in MBNA,the sixth largest credit card business in the US, which was spun off from the struggling Maryland bank holding company, MNC Financial, raising some $1.1bn. That was also handled by Goldman Sachs.

A similar price tag on the Citibank operation would give the entire business a value of around $6.5bn, and a 20 per cent stake a value of $1.2bn to $1.3bn.

The recent surge in US stock prices, if sustained, would help any offering of shares in the credit card business and might even make an offering of Citicorp common stock a possibility, although most Wall Street analysts expect the bank to sell off a significant assets to reach its $4bn to $5bn goal.

New proposals for banks' loan loss provisions

By David Lascelles, Banking Editor

NEW proposals for the treatment of general provisions against loan losses are being put forward today by the Basle committee of international supervisors.

The proposals lay down conditions in which these provisions can be included in a bank's capital calculations – a difficult area which was intentionally left blank by the original Basle capital accord in 1988.

The Basle committee is proposing that general provisions can be included in capital when they do not reflect an identified loss and are therefore available to meet any future losses. A general provision against Third World debt or real estate lending would not qualify.

General provisions would count as Tier 2 capital, which cannot exceed 50 per cent of a bank's capital. Tier 1 capital consists of equity and retained earnings.

The proposals, aimed at bringing consistency to an area where national practices vary widely, are unlikely to make any difference to banks' capital ratios in many countries, the committee says.

The committee will be receiving comments this year, and hopes to implement the proposals by the end of 1993 at the latest.

Saudi American Bank boosts earnings by 25%

By David Lascelles

SAUDI American Bank, the Saudi joint venture bank which is 40 per cent owned by Citibank, increased net earnings by 25 per cent last year to Saudi Riyals 527m, despite the Gulf war.

Factors in this gain included a SR104m rise in net operating revenues, a low SR29m increase in operating expenses, and a reduction of SR29m in the net charge for loan losses.

Total assets grew 13 per cent to SR30bn. Deposits were up 8 per cent and loans 18 per cent.

Mr Mehli Mistri, managing director of the Riyadh-based bank, said the satisfactory result had been achieved despite the uncertainties of 1990, and he was confident that the bank could maintain its leadership thrust.

ECU sector begins to show signs of over-supply

By Simon London

THE international bond market began to show symptoms of over-supply yesterday, following one of the heaviest days for new issues on Tuesday. The area of the market which suffered most from indigestion was the Ecu sector,

INTERNATIONAL BONDS

which has seen Ecu7.8bn of new bonds since the start of last week.

Italy's Ecu2.5bn 20-year issue was priced at a coupon of 9¼ per cent and an issue price of 98.16, to offer a yield spread of 10 basis points over the borrower's outstanding 10¾ per cent 10-year issue.

However, the lead manager said that it had bought back around 10 per cent of the issue yesterday against the background of weak prices in the secondary market.

On the Matif, the Paris futures exchange, the Ecu bond futures contract finished a volatile day at 105.10 after opening at 105.90.

By late afternoon, the Italy issue was trading at 97.53 bid, outside full fees of 50 basis points.

Caisse Centrale de Cooperation Economique, the French state development bank, yesterday launched a £117m 10-year deal lead managed by Barclays de Zoete Wedd.

The paper carries a 10⅝ per cent coupon and was priced at 99.51, to yield 40 basis points over UK government bonds.

Unusually, the paper carries the explicit guarantee of the French government. Last month the government indicated that future bond issues by state agency borrowers would not be granted an explicit guarantee.

However, the guarantee is maintained for this issue because the proceeds will be used to fund France's contribution to the International Monetary Fund.

The contribution will be paid in Special Drawing Rights, the basket of currencies used by the IMF for its financing. The proceeds of the issue will be swapped into dollars, yen, D-Marks, and French francs.

The funds will be held by Banque National de Paris, the joint lead manager, and drawn down by the borrower over 2½ years as the IMF requires funding from the French government.

The World Bank's $1.5bn 10-year global bond offering was priced at a yield spread of 42 basis points over US Treasury paper.

The bonds carry a coupon of 8⅛ per cent and the issue price was fixed at 99.178.

Against the background of a volatile US Treasury market, the World Bank paper traded up to 99.22 bid in late afternoon for a spread of 40.5 basis points over government paper.

Ontario Hydro's C$1bn 10-year global issue was priced at a yield spread of 65 basis points over Canadian government bonds. The coupon was fixed at 10 per cent and the issue price was 99.40.

The appetite of international investors for Canadian dollar paper prompted British Gas to offer C$250m of seven-year bonds via Swiss Bank Corporation. At the fixed reoffer price of 99.975 and with a coupon of 10⅛, the paper offers a yield spread of 51 basis points over comparable Canadian government bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(b)♦	1.5bn	8⅛	99.178	2001	35/25bp	JP Morgan Secs.
Hyogo Bank Int.Fin.(c)†♦	150	(c)	100	2001	½/0.175	Banca del Gottardo
ECUs						
Republic of Italy(a)♦	2.5bn	9¼	98.16	2011	½/¼	Paribas Capital Mkts.
STERLING						
CCCE(a)♦	117	10⅝	99.51	2001	32½bp	BZW
CANADIAN DOLLARS						
Ontario Hydro(b)♦	1bn	10	99.40	2001	⅜/⅛	Merrill Lynch Int.
British Gas Int.Fin.(a)♦	250	10⅛	101.55	1998	1⅞/1.725	SBC
Okobank(d)♦	50	(d)	100	1994	-	Citibank AG
AUSTRALIAN DOLLARS						
Redland Global Fdlng.(a)♦	150	12⅞	101½	1994	1½/1	JP Morgan Secs.
BNP Pacific (Aust.)(a)♦	75	12¼	101.80	1994	1½/1	Hambros Bank
FRENCH FRANCS						
Societe Generale(e)♦	800	9¼	99.73	1999	0.325	Societe Generale
LIRE						
EIB(f)♦	500bn	12	101¾	1998	1⅞/1¼	Cariplo
SWISS FRANCS						
Anam Ind.of Korea(g)**§	45	6	100	1996	-	SBC
D-MARKS						
KLM Royal Dutch A'lines(h)†♦	300	(h)	100	1998	40/20bp	Dresdner Bank

**Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Global issue. Non-callable. c) Coupon pays 3-month Libor + 0.8% for first 5 years, then 3-month Libor + 0.9%, thereafter. Non-callable. d) Coupon pays 10.4 % per annum for 6 months, then 29⅛ % minus twice the 3-month rate on 3 month C$ bankers' accep tances, thereafter. Non-callable. e) Investors have option to take coupon payment in cash o r, in form of further bonds, fungible into this issue. f) Callable 1996 at 101%, and 1997 at 100¾ %. g) Put option 31/12/93 at 110½ % to yield 9.428%. Callable 31/12/93 at 110½ %, 31/12/94 at 102%, and 31/12/95 at 101%. h) Amount increased from DM200mn. Coupon pays 6-month Libor + ⅜%. Put option, once only, after 2 years at par. Callable from 1993 at par.

Futures exchanges reject Senate plan

By Barbara Durr in Chicago

CHICAGO'S futures exchanges objected yesterday in Washington to a Senate compromise on the long-running dispute between the Commodity Futures Trading Commission and the Securities and Exchange Commission.

At a Senate Agriculture Committee hearing, the chairmen of the Chicago Board of Trade and the Chicago Mercantile Exchange said the compromise would threaten the financial integrity of the markets.

The exchanges oppose the proposal which would transfer margin authority for stock index futures to the Federal Reserve.

Mr William O'Connor, of the CBOT, called the transfer "unnecessary and impractical" because the Fed could not react as quickly as the exchanges to raise or lower margins in moments of crisis.

Mr John Sandner, chairman of the CME, criticised compromise provisions which would allow certain new financial products to trade over the counter or choose if they should be regulated by the futures or securities regimes.

The legislation under consideration, the Futures Trading Practices Act of 1991, includes a five-year reauthorisation of the CFTC.

SEC alters net capital rules

By Patrick Harverson in New York

THE SECURITIES and Exchange Commission, the US watchdog, voted yesterday to changes in its net capital rules which will force broking firms to give the commission early notice of large capital movements.

The amendments will also give the SEC the power to prevent holding companies from taking money out of broking subsidiaries if the SEC believes the transfer would jeopardise the broking unit's financial health.

Covering risks of global volatility

Stephen Fidler examines an OECD report on the financial system

AN INCREASED possibility of extreme price swings in the world's securities markets suggests market supervisors should consider increasing the capital requirements for securities houses and raising the margin downpayment by users of futures markets.

These are among the conclusions of a report, just published, by an expert group of the Organisation for Economic Co-operation and Development (OECD) into the risks to the financial system and to economic well-being posed by the growing interdependence of financial markets worldwide.

The report says: "It would be prudent for securities regulators to work on the assumption that securities markets have become more susceptible to large precipitous price falls which would be rapidly transmitted around the world."

Margin requirements for futures exchanges are not normally set by market regulators, but by clearing organisations linked to individual markets. "We have some concern," says the report, "that in striking the balance between market liquidity and prudential considerations, they may, in a competitive environment, attach too much weight to liquidity."

In a market crisis, futures exchanges may well be forced to increase margin requirements further intensifying a liquidity squeeze which may also be developing. Regulatory authorities should therefore, where appropriate, encourage clearing houses to increase the degree of protection against possible extreme price movements.

Its recommendation that consideration should be given to raising capital requirements for securities houses "need not mean that capital requirements should be set at prohibitive levels or should attempt to prevent any intermediary failing".

The report expresses concern that the existence of different regulatory regimes in different countries "encourages regulatory arbitrage, leaves some significant risk-taking activities by intermediaries outside the financial net, fails to deliver a comprehensive supervisory oversight of conglomerates and complicates the task of international supervision between authorities".

Efforts to establish multilateral and bilateral information sharing among regulators should be intensified.

Some members of the group also believed serious consideration should be given to "the construction of a more closely integrated system of supervision of internationally active intermediaries in securities markets".

To achieve this, securities regulators would need to develop the equivalent of the so-called Basle Concordat now agreed among international bank supervisors, defining the relative responsibilities of supervisors in the home market and in host countries. This would need to be co-ordinated with bank supervisors.

Greater consistency is also needed in setting minimum capital adequacy requirements and current efforts needed to be pursued intensively to achieve workable solutions for what it acknowledges is a "formidable task".

The study also concludes that dealer markets – such as the International Stock Exchange in London – give rise to more concern for the financial system than the more traditional auction markets. It says: "There is no evidence that any particular market structure is superior to others."

But it adds: "Intermediaries evidently carry the greatest market risk, however, in those markets where they customarily take large positions as principals. In that sense, competing market-maker structures give rise to greater systemic concern than pure auction markets."

However, since it may be argued that this type of market is best suited to deal with financial institutions wishing to deal in large size, "we do not see this as an argument for dismantling them but as one for focusing attention of the risk management of the intermediaries".

The report suggests the banning of certain trading techniques, such as programme trading, would not make a lasting contribution to the safety of the financial system.

The report also expresses some doubts about "circuit breakers" – market halts meant to give a disorderly market time to return to order. It was conceivable that an inability to sell in one market because a circuit breaker is in operation merely forces sales in other asset markets where circuit breakers are not operating. "This might transmit systemic concerns elsewhere in the financial system or the real economy."

Circuit breakers might also encourage a "magnet effect" – which draws a market down to levels where circuit breakers take effect – as sellers try to sell before a trading halt takes effect.

The study also notes that circuit breakers only come into play when a disorderly market has already arisen. As much care needs to be given to devising a satisfactory mechanism for restarting as for closing markets, it says. They cannot guarantee that panic will not continue after trading reopens. "Their availability cannot guarantee the containment of systemic contagion in a major market crisis," the report concludes.

It endorses recent recommendations for improving and accelerating arrangements for settlement of securities transactions – to move to shorter settlement periods, rolling settlement, book-entry transfer systems and links between settlements arrangements in home and host countries; and "above all, to achieve simultaneous good delivery of securities against payment for them". It says netting arrangements would also help.

■ *Systemic Risks in Securities Markets, OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex 16. Price: FFr100.)*

Defence sought against Eurobond failure

By Tracy Corrigan

UNDERWRITERS are adopting new strategies towards protecting themselves in the event that a Eurobond issue cannot close because of unforeseen circumstances.

A deal launched by IBJ International on Monday carried an innovative clause requiring the termination of the issue to be decided by vote. A two-thirds majority among underwriters is needed to terminate the issue. The deal in question was a C$200m issue for Asfinag, the Austrian road financing agency.

Mr Lloyd Schultz, an associate director of IBJ International said that more specific *force majeure* clauses were needed to clarify the position of underwriters. The Asfinag clause specifies that the issue may be terminated "if it becomes, in the opinion of the managers, impossible or impracticable to make payment for or effect delivery of the bonds".

The issue of *force majeure* has become contentious in the context of the Gulf war. The typically broad wording of *force majeure* clauses has made the question of when *force majeure* could, or would in practice, be invoked rather a grey area. Some leading borrowers have been exerting considerable pressure to narrow the conditions under which *force majeure* can be invoked, because they are fearful of being locked into swap agreements, which are unconditional, launched in conjunction with a cancelled bond issue.

Because a lead underwriter often fulfils the role of swap arranger or counterparty as well, conflicts of interest can arise. A lead underwriter also acting as swap counterparty could be less willing to invoke *force majeure*, which could work to the detriment of other underwriters.

The legal and documentation committee of the International Primary Markets Association, the primary Eurobond market's trade body, meets on March 5 to try to formulate a standard force majeure clause.

It is likely that a new clause will be added to specifically cover settlement problems.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Feb 20 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Feb 19 Index No.	Mon Feb 18 Index No.	Fri Feb 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	797.02	-0.7	13.42	6.02	9.08	0.67	802.40	804.21	791.68	849.14
2	Building Materials (25)	1094.32	-1.3	13.12	5.54	9.39	0.45	1108.72	1109.29	1091.47	1033.97
3	Contracting, Construction (31)	1235.99	-0.5	14.53	6.37	8.93	1.46	1242.50	1238.43	1207.85	1429.08
4	Electricals (10)	2168.63	-1.3	13.02	6.15	9.40	0.80	2196.20	2206.69	2155.96	2379.05
5	Electronics (25)	1760.90	....	9.03	5.08	14.76	1.10	1759.94	1746.17	1720.92	1875.54
6	Engineering-Aerospace (8)	406.39	-0.8	16.51	6.01	7.27	0.86	409.75	410.70	406.85	414.91
7	Engineering-General (47)	396.50	-0.5	14.73	6.48	8.18	1.15	398.66	399.15	393.86	457.02
8	Metals and Metal Forming (8)	440.89	-0.5	20.69	7.81	5.96	0.00	443.30	445.73	441.41	459.47
9	Motors (13)	318.05	-1.5	15.66	7.56	7.44	0.00	323.00	322.36	316.96	356.76
10	Other Industrial Materials (20)	1396.65	-0.3	12.07	5.82	9.58	0.71	1401.20	1416.79	1395.48	1532.44
21	CONSUMER GROUP (182)	1312.05	-0.8	9.19	3.97	13.50	2.72	1323.25	1325.12	1315.76	1232.26
22	Brewers and Distillers (22)	1651.66	-0.9	9.71	3.78	12.70	7.47	1665.99	1667.82	1663.17	1442.81
25	Food Manufacturing (20)	1122.88	-0.1	10.24	4.28	12.02	1.66	1124.31	1123.34	1115.08	1060.08
26	Food Retailing (16)	2450.14	-0.2	8.64	3.16	15.14	3.15	2454.53	2465.13	2467.62	2265.24
27	Health and Household (21)	2814.06	-1.5	6.38	2.72	18.60	0.47	2855.64	2846.07	2828.92	2408.21
29	Hotels and Leisure (22)	1242.89	-1.2	10.95	5.51	10.84	0.86	1258.42	1265.19	1241.09	1533.76
30	Media (25)	1291.03	-1.1	11.31	5.33	11.16	7.81	1305.58	1304.08	1289.11	0.00
31	Packaging & Paper (11)	590.24	-1.3	8.91	5.82	13.75	0.30	597.92	595.04	583.02	562.23
34	Stores (34)	831.88	-0.5	10.21	4.39	12.75	1.67	836.39	844.49	837.43	778.42
35	Textiles (11)	453.74	-1.4	12.67	7.75	10.12	0.50	460.11	461.93	453.86	506.84
40	OTHER GROUPS (111)	1102.54	-0.5	11.70	5.43	10.34	2.51	1108.01	1110.96	1103.78	1151.71
41	Business Services (12)	1021.96	+1.0	12.23	5.28	9.94	0.00	1011.68	1005.25	984.71	0.00
42	Chemicals (21)	1194.69	-1.2	11.90	5.97	9.91	0.63	1208.87	1202.52	1179.34	1154.56
43	Conglomerates (11)	1424.64	-0.1	12.05	7.24	9.89	6.83	1426.59	1437.64	1429.97	1572.84
44	Transport (15)	2013.04	-0.7	12.98	5.05	9.50	1.78	2026.58	2010.20	2000.94	2259.96
45	Electricity (12)	1122.94	-0.9	10.98	6.27	10.99	0.00	1133.19	1151.21	1147.72	0.00
46	Telephone Networks(3)	1227.51	-0.7	10.90	4.12	11.94	0.00	1236.41	1232.32	1239.53	1203.30
47	Water(10)	2423.53	+0.7	13.99	5.78	7.99	39.69	2406.14	2470.73	2472.05	2050.12
48	Miscellaneous (27)	1761.18	-0.6	10.71	5.14	10.88	1.22	1771.56	1783.19	1750.55	1842.54
49	INDUSTRIAL GROUP (480)	1123.71	-0.7	10.87	4.86	11.27	2.11	1131.62	1133.86	1124.06	1124.23
51	Oil & Gas (20)	2259.61	-0.4	11.46	5.88	11.42	7.42	2267.93	2249.49	2229.11	2378.73
59	500 SHARE INDEX (500)	1219.24	-0.7	10.95	5.00	11.29	2.52	1227.27	1228.01	1217.33	1228.19
61	FINANCIAL GROUP (98)	767.97	-0.3	-	6.20	-	1.00	770.05	779.20	766.00	815.69
62	Banks (9)	819.44	+0.1	19.44	7.09	6.73	1.61	818.58	835.06	821.96	865.70
65	Insurance (Life) (7)	1398.01	+0.3	-	5.49	-	0.00	1394.43	1396.34	1369.26	1334.82
66	Insurance (Composite) (6)	681.20	....	-	6.28	-	0.00	680.86	689.89	674.83	689.32
67	Insurance (Brokers) (8)	1061.04	-1.8	6.97	6.08	18.80	2.15	1080.04	1085.30	1059.47	1108.88
68	Merchant Banks (7)	394.53	+0.3	-	5.17	-	0.00	393.18	391.38	381.23	492.98
69	Property (41)	994.36	-2.0	6.67	4.73	20.53	0.90	1014.16	1025.40	1013.97	1139.93
70	Other Financial (20)	270.83	+1.0	9.27	6.65	13.62	1.60	268.19	265.32	262.66	322.21
71	Investment Trusts (69)	1099.20	-1.0	-	3.70	-	1.24	1110.74	1110.91	1084.04	1174.13
99	ALL-SHARE INDEX (667)	1108.34	-0.6	-	5.13	-	2.14	1115.14	1117.59	1106.06	1127.78

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 19	Feb 18	Feb 15	Feb 14	Feb 13	Year ago
FT-SE 100 SHARE INDEX♦	2296.8	-15.6	2312.0	2296.3	2312.4	2318.3	2296.9	2294.4	2267.8	2259.7

FIXED INTEREST

	PRICE INDICES	Wed Feb 20	Day's change %	Tue Feb 19	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.05	+0.08	120.96	1.75	1.65
2	5-15 years (31)	132.47	-0.11	132.62	1.57	2.53
3	Over 15 years (8)	141.63	-0.24	141.98	2.70	1.08
4	Irredeemables (6)	156.89	-0.01	156.91	3.29	0.00
5	All stocks (73)	131.27	-0.06	131.35	1.76	2.11
	Index-Linked					
6	Up to 5 years (2)	158.23	+0.04	158.16	0.16	1.03
7	Over 5 years (10)	145.30	-0.12	145.47	0.44	0.89
8	All stocks (12)	146.15	-0.11	146.31	0.42	0.90
9	Debs & Loans (54)	110.37	+0.12	110.23	2.99	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 20	Tue Feb 19	Year ago (approx.)
	British Government				
1	Low	5 years	9.24	9.23	10.93
2	Coupons	15 years	9.52	9.46	10.58
3	(0%-7¾%)	25 years	9.67	9.60	10.48
4	Medium	5 years	10.04	10.05	12.12
5	Coupons	15 years	9.89	9.86	10.98
6	(8%-10¾%)	25 years	9.83	9.79	10.61
7	High	5 years	10.20	10.20	12.24
8	Coupons	15 years	10.04	10.01	11.19
9	(11%-)	25 years	9.94	9.90	10.75
10	Irredeemables	†	9.84	9.84	10.53
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.66	3.68	4.57
12	Inflation rate 5%	Over 5 yrs.	4.10	4.09	4.02
13	Inflation rate 10%	Up to 5 yrs.	2.18	2.19	3.59
14	Inflation rate 10%	Over 5 yrs.	3.91	3.90	3.84
15	Debs &	5 years	11.90	12.09	13.04
16	Loans	15 years	11.68	11.74	12.89
17		25 years	11.46	11.46	12.89

♦Opening Index 2306.2; 9 am 2301.1; 10 am 2304.7; 11 am 2309.0; Noon 2310.8; 1 pm 2311.6; 2 pm 2304.1; 2.30 pm 2302.0; 3 pm 2297.9; 4.10 pm 2298.6; (a) 12.33pm (b) 2.47pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	25	45	16
Corporations, Dominion and Foreign Bonds	1	5	15
Industrials	305	312	939
Financial and Properties	127	177	447
Oils	20	14	58
Plantations	4	0	6
Mines	14	52	99
Others	56	50	38
Totals	552	655	1,618

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§100	F.P.	-	95	58	♯Eidos 10p	58		-	-	-	-
-	F.P.	-	18	16	♯Europe Energy 5p	16		-	-	-	-
-	F.P.	-	3825	3525	Eurotunnel Fnder. Wrnts	3525	-25	-	-	-	-
-	F.P.	-	120	90	JF Pacific (New Wrnts)	120		-	-	-	-
50	F.P.	-	45	43	Trio Inv. Tst.	44		-	-	-	-
-	F.P.	-	9	6	Do. Warrants	7		-	-	-	-

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb. 18
- Last Dealings March 1
- Last Declarations May 30
- For settlement June 10

For rate indications see end of London Share Service

Calls in Acsis, Andaman Res., Business Technology, Dares Ests., FKI, Kunick, Next, Queens Moat Houses, Regalian Props., Saatchi & Saatchi, Tusker Res. and Unichem. Put in Ladbroke. Put and call in BTR warrants '88/94.

LONDON TRADED OPTIONS

THE GROWING belief that the stock market has recently risen too quickly led to profit-taking in the futures market yesterday, while in traded options turnover *was boosted by the expiry of the* February stock options.

Equity futures spent most of the session drifting lower in low-volume trading. With some investors expecting further losses in the days ahead there were few buyers around. But equally there seemed little determination to sell.

Instead, prices slid lower on the belief that the market was unsustainable at current levels. The uncertainty about the prospects for peace in the Gulf war contributed to the air of nervousness.

Futures dealers were uncertain whether the market would continued to weaken, although the *futures market's lead over the* stockmarket remained narrower than in recent days. At one stage the premium was at 30 points, though towards the close it was at 15. Only some late buying pushed it out slightly to a closing level of 19 and this compared with fair value of 9.

March FT-SE closed at 2,317, down 15 points on the day. In after-hours dealing, March FT-SE weakened to 2,314.

On the traded options market, dealing was boosted by the expiry of February stock options. At the final calculation, turnover stood at 40,155 contracts against 25,792 in the previous session.

Stock options accounted for *over 33,000 contracts compared* with 20,000. Of the five busiest equity options, three recorded February as the most popular series. The remainder were lifted by rolling out into future months.

The most active stocks were British Telecom (3,282), Prudential (2,102), GEC 1,800, Commercial Union (1,566) and British Aerospace (1,461).

FT-SE turnover stood at 6,346 compared with 5,039 with the February 2,050 puts the most active series.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*511)	460	64	70	81	4	11	15
	500	33	42	57	11	26	28
	550	9	22	34	44	55	58
ASDA (*129)	120	15	21	23	3½	5½	7½
	130	8	14	18	6½	9	12
	140	4	8½	-	13	15	-
Brit. Airways	140	21	21	25	4½	10	11
Unilever (*736)	700	57	73	93	17	25	28
	750	23	44	63	40	45	50
Ultramar (*316)	300	25	37	43	9	13	16
	330	12	23	28	25	30	33

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
Elec. Pkg. (*£1810)	1800	90	140	-	50	80	-
	1850	70	110	-	90	110	-

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*390)	390	14	27	32	24	32	37
	420	3½	12	20	50	52	57
Blue Circle (*252)	240	22	26	33	5½	15	19
	260	8½	15	22	15	26	30
British Gas (*234)	220	18	28	31	2	5	8½
	240	6	16	18	9	13	18
Dixons (*165)	160	11	20	24	5	8½	12
	180	3	10	13	16	19	21

[illegible]

UK COMPANY NEWS

CHG calls for £10m to fund developments

By Jane Fuller

COMMUNITY Hospitals Group, the private medical company, is raising £10.4m via a rights issue to help fund a £33m building programme over the next two years.

The 1-for-3 issue is priced at 136p per share, compared with yesterday's opening price of 172p, which shed 10p during the day.

The group also announced a 36 per cent fall to £2m (£3.1m) in pre-tax profits for the six months to December 31.

However, the previous year's figure had benefited from more than £400,000 of interest received and a £1.1m exceptional gain from selling a stake in another hospital company.

In May 1989, Community Hospitals was only the second private medical company to be floated.

It followed in the footsteps of AMI Healthcare, now controlled by Compagnie Générale des Eaux, the French services group.

Since flotation, CHG has spent £19m on expansion and refurbishment. It has nine hospitals with 389 beds and six nursing homes with 269.

The group, which had £6m cash in June 1989, had accumulated £8m debt by December 1990, representing gearing of just over 15 per cent.

Mr David Croker, finance director, said that £2.4m cash had been generated from trading during the six months.

To help complete the £33m programme, which includes building two hospitals and extending some nursing homes, the group could borrow up to £35m from its bankers and gearing might rise to 50 per cent.

All but £2m of first-half turnover came from the hospitals, which contributed £1.6m to operating profit.

The nursing homes made £360,000 profit.

Earnings per share fell to 5.8p (8.7p, or 5.7p before the exceptional gain).

The interim dividend is 2.2p (1.9p).

The issue of up to 8.1m shares has been underwritten by Granville. Cazenove is the broker.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abingworth, Alumasc, JF Pacific Warrant, River & Mercantile Geared Cap & Inc Trust 1999, SWP.

Finals- F & C Enterprise Trust, McAlpine (Alfred), Martin Intl, Green Inv Trust, Stainless Metalcraft, Taveners, Tribune Inv Trust, Ward Hldgs.

FUTURE DATES

Interims-	
Armour Trust	Feb. 25
Cornwell Parker	Mar. 11
High-Point	Feb. 28
Renishaw	Mar. 7
Whitney Mackay-Lewis	Feb. 28
Finals-	
Bilston & Battersea	Mar. 28
CRH	Mar. 6
Cadbury Schweppes	Mar. 5
INSTEM	Mar. 6
Kalon	Feb. 28
MTL Instruments	Mar. 7
TLS Range	Mar. 11
Tudor	Apr 9
Wates City of London	Mar. 5
Watmoughs	Mar. 5

Fairbriar £3m in red and passes interim

LOSSES CONTINUED at Fairbriar, the housebuilder and developer, but at a greatly increased rate.

The interim loss, to September 30 1990, has grown to £3.21m. It compared with a profit of £3.32m but that was reduced to £2.3m over the year by a loss of £1.03m in the second half.

Mr Remo Dipre, chairman, said in spite of the interest rate cuts there had been no recovery in the housing market. Turnover almost halved to £8.34m (£16.17m) although margins on house sales remained relatively high.

Rental income continued to grow and there were signs of increasing interest in new homes. The company had slowed the rate of development in its industrial and commercial activities.

"The reduction of borrowing through disposals and cost cutting is the board's prime objective", Mr Dipre said. Interest costs soared to £4.83m (£1.54m).

No provision had been made against the carrying value of property assets. However, a comprehensive valuation of all properties would be undertaken at the year-end which might lead directors to seek an increase in borrowing powers.

Losses per share were 7.45p (earnings 5.71p). The interim dividend is omitted; last time it was 1.25p but there was no final.

£19m business park deal for UK Land

In a deal worth £19m, UK Land has exchanged contracts for the sale of phase one of the Northampton Business Park.

The entire property has been pre-let to Barclays Bank and completion date is scheduled for June 30.

UK Land's results for the year to end-September 1990 will be delayed pending agreement on financing for the remainder of the project.

The company has also announced completion of the acquisition of Maswell Estates for about £800,000.

A link-up for little change at the end of the line

David Owen on the rise of Technophone and why it was sold to Nokia last week

MR NILS Martensson is thinking about getting another dog from the RSPCA.

Last week he sold Technophone, the hand-held cellular phone manufacturer he founded in 1984 and owned 39 per cent of, to Finland's Nokia for £34m. All he can think of buying with the proceeds that he would have time for and does not already own is another dog.

The sale was primarily motivated, he says, by the need for both companies to generate efficiencies of scale in their manufacturing operations. "It must make sense for the number one and number two European manufacturers to come together."

Technophone was not in financial difficulties in spite of tumbling handset prices and the ever-increasing research and development burden as cellular migrates from analog to digital technology. "We have something like two months' turnover on deposit," says Mr Martensson. In the year to end-March 1990, the group made pre-tax profits of £4.03m on turnover of £49.09m.

Indeed, little is initially expected to change as a direct result of the deal at the privately-held Surrey-based company which employs 750 people worldwide and has manufacturing facilities in Camberley, Surrey, and Hong Kong.

Mr Martensson will remain in the driver's seat and output – currently running at "well over 20,000 units per month" – will continue to grow, "hypothetically" doubling by the end of the year. "Our management styles are very similar; there is very little bureaucracy at either company," he says.

Technophone will also continue its efforts to recruit more electronics engineers to add to the 155 it already employs.

It was the UK's comparative wealth of engineers with the necessary expertise that above all motivated the Swedish-born entrepreneur's original decision to base Technophone in London's commuter-belt. "We could not have brought together enough electronics engineers in any other country except perhaps the US," he says.

This hiring process came hot on the heels of a year spent scouring the City for finance. "I have never heard so many people say that something cannot be done," Mr Martensson recalls. "We had already made a dummy. Many financial institutions had experts who said that something that small could not be made and that cellular would not be that big a business." Eventually £5m was raised with the help of a venture capital broker.

Today, Technophone's output – like the cellular market itself – is split about 50:50 between portable phones (which are made to be carried around) and cheaper mobile phones (which have fixed in-car handsets). This has occurred since the start-up of the group's Hong Kong plant in 1989.

At first, the company was purely a maker of portables. This strategy was adopted, according to Mr Martensson, both in a bid to minimise the extent of head-on competition with international companies such as Motorola of the US which dominated the mobile market and because "we thought that at the end of the century portables would predominate." Its first product was approved in 1985.

An early crisis stemming from quality problems on the production line was resolved after the hiring of Mr Frank McGovern as factory manager. He had been trained in Japanese manufacturing methods at the Hitachi plant in Wales.

Nils Martensson: will remain in the driver's seat following the £34m sale

That hiccup apart, the company prospered in part through its preparedness to re-engineer its products for markets like France and Germany whose systems did not use mass market technology. By 1986-87 it was profitable and by 1987-88 sales had risen to £17.23m.

The move into mobiles was motivated by distributor demand for a 'single-brand' approach. "Without mobiles we could not offer a full product range," says Mr Martensson. "It is not always enough just to make a 500cc motorcycle without doing other sizes."

Today, the company exports more than 95 per cent of its output to a total of 35 markets. Along the way, it has picked up three Queen's awards for export achievement and one for technology.

One thing that the Nokia tie-up will not give Technophone is an in-house chip manufacturing capability. Both groups develop their own chips then farm the manufacturing out to third party suppliers, known as 'foundries'.

However, Mr Martensson does not believe that this makes the combined group vulnerable. "To support your own foundry, you need bigger production than even our combined output," he says. "We control the technological end of our chip making."

Technophone's original shareholders will have reason to be thankful if last week's transaction proves as timely as some of the company's past deal-making. In May 1989, it realised about £11m by selling its 80 per cent stake in Excell, the UK distributor. Late last year, Excell went into receivership, a victim of the vicious shake-out currently afflicting the UK mobile telecommunication service sector.

Mr Martensson acknowledges that the sale was made at the top of the market, but admits that things could have been different. "We tried to buy a company of similar size to get critical mass, but they were holding out for a high price so we eventually said 'OK, let's go the other way.'"

Deal elevates Nokia to second place in cellular phone league

NOKIA, the Finnish company that has successfully challenged Japanese and American giants in the cellular telephones field, believes its purchase of Technophone of the UK will secure its role in world markets, writes Enrique Tessieri in Helsinki.

Mr Jorma Ollila, president of Nokia's cellular subsidiary, said that in the next two years there would be a significant shake-out in the industry which would leave the market with 10 strong players.

The Technophone deal, which was announced last week, would turn Nokia Mobile Phones into the second largest cellular telephone maker after NEC of Japan and ahead of Motorola of the US, he said.

Technophone is crucial to Nokia Mobile Phones because it provides critical mass and a basis for growth in an ever-increasing volume-driven global mobile phones market, he added.

"The acquisition can be justified in three ways: it gives us additional volume, raises our market share and, most important, it increases our research and development resources. In my opinion we had, in the past, a shortage of R&D manpower," he added.

Nokia Mobile Phone is expected to report net sales up from FM1.74bn to FM2.3bn (£326m) in 1990, amounting to 10.1 per cent of the group's expected sales of about FM22.8bn.

Mr Ollila, who stresses the value of Technophone's R&D assets, does not believe that the UK-based company will have an immediate impact on Nokia's production.

"It is still too early to say, but it will take one to two years before you can make any changes in your plant focus and before you can have the next generation drawn into the production," he said.

About 70 per cent of Nokia's mobile phones division production units is outside Finland, in Germany and South Korea, where in 1984 it founded a joint venture with Tandy, the US electronics group, to serve the US market.

COMPANY NEWS IN BRIEF

AMBROSE INVESTMENT Trust said that together with its advisers, Coopers & Lybrand Deloitte, it would consider the possible offer from River Plate and write to shareholders as soon as possible. Until then shareholders were advised to take no action.

BABCOCK INTERNATIONAL has acquired 40 per cent of the equity of Contract Prisons for a nominal consideration. Other shareholders in the company, established in 1987 to provide prison contracting services to government bodies in the UK and overseas, are Pricor, based in Nashville, and Racal Chubb, both with 30 per cent.

BAKER HARRIS Saunders Group has acquired CPC, a real estate consultancy firm with offices in New York, Los Angeles and Denver, for $950,000 (£487,000). The acquisition will form part of a separate arm of the group concentrating on tenant consultancy work.

BROAD STREET Group: BDDP offer has been extended until 3pm on March 4. BDDP has received acceptances in respect of 26.23m Broad Street ordinary shares (48.89 per cent).

DE MORGAN directors have noted the recent movement in the company's share price and are currently in discussions with leading shareholders and other institutions with a view to securing further long-term capital. The company is trading within the limits of its bank facilities.

IMI is to spend a further £10m in modernising its Yorkshire Copper Tube factory in Kirkby, Merseyside. New machinery will improve production of continental tube sizes to take advantage of growing European market for copper tube in water systems.

LEX SERVICE has sold SMT Greenock, a Scottish dealership with Rover, Land Rover and Leyland DAF van franchises, for £700,000 cash, to five SMT managers, led by Mr Russell Dunn. Sale forms part of Lex programme to reduce its small dealerships.

SKANDIA GROUP Insurance Company of Sweden intends to take a 33.3 per cent stake in Map Securities, a recently-formed London stockbroker specialising in west European equities. The stake, as determined by Swedish insurance regulations, will comprise a mix of voting and non-voting shares.

TGI has reached conditional agreement for the sale of Goodmans FPD to ARF Electronics. The total proceeds from the disposal amount to £5m. TGI has also entered into a subscription agreement whereby it will invest £1.8m in ARF.

WEMBLEY: United Dutch Group, controlled by United Dutch Holdings, has completed the acquisition of 16.04m ordinary (18.55 per cent) and 3.11m deferred of Wembley. Further options make it interested in a total 19.86m (22.97 per cent) ordinary and 4.08m deferred shares of Wembley.

PUBLIC WORKS LOAN BOARD RATES

Effective February 20

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			11¾			12½
Over 1 up to 2	11⅝	11½	11	12⅝	12½	11¾
Over 2 up to 3	11¼	11⅛	10¾	12¼	12⅛	11½
Over 3 up to 4	11	10⅞	10⅝	12	11⅞	11⅜
Over 4 up to 5	10¾	10¾	10⅝	11¾	11¾	11⅜
Over 5 up to 6	10¾	10⅝	10¾	11¼	11⅛	11¼
Over 6 up to 7	10⅝	10⅝	10¾	11⅛	11⅛	11¼
Over 7 up to 8	10⅝	10⅝	10⅞	11⅛	11⅛	11⅜
Over 8 up to 9	10⅝	10¾	11	11⅛	11¼	11½
Over 9 up to 10	10¾	10¾	11	11¼	11¼	11½
Over 10 up to 15	10⅞	11	10⅞	11⅜	11½	11⅜
Over 15 up to 25	11	10⅞	10¾	11½	11⅜	11¼
Over 25	10⅞	10¾	10¾	11⅜	11¼	11¼

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Yorkshire Chemicals rises 12% despite strong pound

By Andrew Bolger

YORKSHIRE CHEMICALS, the dyes, tanning materials and speciality chemicals manufacturer which exports more than 90 per cent of its output, yesterday reported a 12 per cent rise in annual profits in spite of the strength of sterling in the second half.

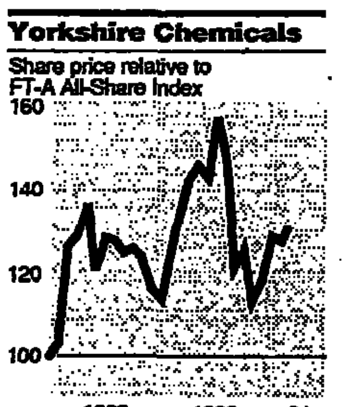
Pre-tax profits in 1990 firmed from £9.6m to £10.79m on turnover of £81.6m (£70.02m).

Mr Phillip Lowe, chairman, said the group's mainstream products remained firm all year.

However, the appreciation of sterling, especially against the US and Australian dollars, curbed turnover and profit margins from May onwards.

The growth from 36.3p to 37.8p in earnings per share was restricted by an increase in the tax charge from 30 to 34 per cent.

Mr Lowe said: "Although the immediate outlook is uncertain, the group is financially strong and continues to plan for profitable long-term expansion. Acquisitions to add niche technology or accelerate market penetration continue to be sought.



"The present search is concentrated upon companies that specialise in leather finishing products, textile process chemicals and pigment dispersions complementary to the group's existing ranges."

Yorkshire plans to invest £42m during 1991-96, mainly to update and enlarge UK manufacturing operations – particularly in the speciality chemicals division, where old plant has restricted growth.

A final dividend of 9p makes a total for the year of 13.5p (12p), an increase of 12.5 per cent.

● COMMENT

These are very respectable results, considering the hammering Yorkshire has taken on currency movements. It reckoned that the dollar's weakness could not continue and ran down its hedging last year. Getting that judgment wrong cost it £1.1m off the pre-tax figure and the group has minimal forward cover for the current year.

However, the underlying businesses continue to trade profitably in their niche markets and the envisaged capital expenditure programme should reduce unit costs in the longer term.

A cautious forecast of full-year profits at £9.5m puts the shares, which closed down 10p at 363p, on a prospective multiple of just under 11.

Given the group's strong management record and nil gearing, the shares are an attractive play for those who think a bounce by the dollar is overdue.

Alan Harper

Michael Hepher, chairman of Lloyds Abbey Life, who is looking to expand its European operations into Italy and Spain to go alongside its thriving German business and Irish operation. At home, he reported better-than-expected pre-tax profits of £318.9m for 1990, with the estate agency business returning a reasonable £12.7m. Particularly pleasing was the continued expansion of sales of life and general insurance contracts to Lloyds Bank customers through the bank branch network, the main feature in life profits rising nearly 20 per cent to £264.8m in a dull trading year.

Restructure could raise WPP's interest bill by $5m

By Alice Rawsthorn

WPP, Mr Martin Sorrell's marketing services group, may face a $5m (£2.5m) increase in annual interest payments when its $1bn restructuring package is completed.

WPP is now approaching the final stages of discussions with its 30-strong banking syndicate, led by JP Morgan, to restructure its debt to avoid breaching its banking covenants later this year.

The banks are believed to be asking WPP for a "success fee" for completing the restructuring and also for an increase in interest. At present WPP pays interest at a margin of 1% percentage points above money market rates to its bigger banks – representing two thirds of its debt – and of 1% percentage points to its smaller banks.

After the restructuring, the interest margin for all the banks is likely to increase to 2 percentage points. This would involve WPP paying additional interest of between $4m and $5m a year.

WPP, advised by Samuel Montagu, has yet to reach agreement with its banks on the form of the success fee or on the precise level of the increase in interest rates. It is expected that preliminary proposals for the restructuring will be produced in mid-March. The documentation for the deal will then take roughly two months to complete.

At present WPP's debt is composed of a $600m seven-year term loan and working capital facilities of $200m. As part of the restructuring it hopes to convert about $100m of additional uncommitted facilities – mainly short term overdrafts of operating companies – into committed facilities.

In addition WPP is negotiating with its banks to renew just under $100m of media guarantees for J Walter Thompson and Ogilvy & Mather, its international advertising agencies.

The package is also expected to involve reducing covenanted interest cover for 1991 and 1992. At present the minimum covenanted cover is 2.8 times for this year and 3.2 times for 1992.

On the basis of current profit predictions for WPP – Warburg Securities recently reduced its 1991 forecast from £77m to £44.6m – the group is likely to ask for minimum covenanted cover of about 2 times for this year.

Maxwell plans to revamp MGN board for flotation

By Maggie Urry

MR ROBERT MAXWELL, who is planning the flotation of Mirror Group Newspapers, his private newspaper business, is aiming to recruit a number of independent-minded non-executive directors to its board to avoid the perception that he would exert too much influence on the company.

He plans to keep a majority of the MGN shares when it is floated, before the end of June.

Meanwhile, Maxwell Communication Corporation, Mr Maxwell's publicly-quoted publishing company, yesterday had its US debt assigned a "speculative grade" rating by Moody's, the New York-based credit rating agency.

Analysts believe that the low rating the stock market puts on MCC's shares is in part due to the large stake owned by him, his family and the Maxwell Foundation. This holding has risen to over 70 per cent recently. Mr Maxwell said yesterday that the company had not become a close company as a result.

MCC shares are on a historic yield of 13.3 per cent, while bankers and brokers working on the MGN issue are believed to hope for a yield of 8 per cent. A dividend forecast will be contained in the prospectus when it comes.

MGN, which includes the Daily Mirror, Sunday Mirror, The People and the Daily Record and Sunday Mail, of Scotland, has yet to decide whether to issue a profit forecast in the prospectus. Results for 1990 have yet to be published but a pre-tax profit figure of about £80m is expected.

Mr Maxwell acquired MGN in 1984 from Reed International, the publishing company, for £113.4m. Estimates of the value the market will put on MGN have reached as much as £1bn. But analysts believe this is far too high.

Moody's yesterday assigned ratings to MCC's debt for the first time. The ratings set were Not Prime for short-term debt, Single-B2 for senior long-term debt, and Single-B3 for subordinated long-term debt.

In December, IBCA, the London-based rating agency, downgraded MCC's senior debt, indicating "a possibility of investment risk developing".

● MCC gave further details yesterday about the departure of Mr Richard Baker, the group's deputy managing director. His early retirement to "pursue his private activities" was announced late on Tuesday.

Mr Baker will not receive any compensation beyond the 12 months salary he is entitled to under his contract, thought to be less than £200,000.

Analysts noted yesterday that Mr Baker was the third MCC director to resign in the past few months.

SE probe at Channel Tunnel

By Clare Pearson

Channel Tunnel Investments, the small investment company, yesterday asked the insider dealing group of the Stock Exchange to make investigations after its share price more than doubled over the past week.

Yesterday the shares, which stood at about 25p more than a week ago, closed up 5p at 53p.

The company said it noted the development, for which it knew of no reason, with "astonishment".

It had asked the exchange to conduct a full investigation into the background to and basis for the rise.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armitage Bros ....int	2.5	-	2.4	-	5.2
Community Hosp ....int	2.2	May 10	1.9	-	5.2
Fairbriar ....int	nil	-	1.25	-	1.25
Fleming High Inc......int	1.45♠	Apr 2	1.3	-	5.25
Gartmore Pacific.......fin	0.1	Apr 10	-	0.1	-
Lloyds Abbey ....fin	11	May 7	11	17	17
Provident Fincl ....fin	15.5	Apr 26	13.5	23.5	20.5
St David's Inv ....int	4.7	Mar 28	4.4	-	13.2
Yorks Chemicals .....fin	9	Apr 11	8.5	13.5	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♠Third interim

Touchstone recommends Stratagem offer

By Andrew Bolger

Touchstone Group, the computer services company, yesterday recommended its shareholders to accept a £6.7m offer from Stratagem Group after the investment company had increased its offer for Touchstone loan stock.

The bidder raised its offer from 21 to 25 ordinary Stratagem shares for every £100 nominal of Touchstone loan stock, with a £32 cash alternative.

Stratagem is also offering one of its ordinary shares for every 32 Touchstone shares.

Stratagem said it now owned or had acceptances representing 56.8 per cent of Touchstone's ordinary shares and 40.8 per cent of Touchstone's loan stock.

Touchstone shares closed at 5p, unchanged on the day, as were Stratagem shares at 154p.

Stratagem said its increased offer was conditional only on listing being granted for its new ordinary shares, in which dealings were expected to commence today.

Provident Financial shows 14% expansion to £36.2m

By David Barchard

PROVIDENT FINANCIAL, the consumer finance group, made pre-tax profits of £36.2m in the year ended December 31 1990, up more than 14 per cent on the previous year's £31.7m. Turnover rose 11 per cent to £317.6m.

Mr Peter Hogg, chief executive, said the company had made good progress in spite of a sharp deterioration in economic conditions and it had not been necessary to make any changes to its provisioning policies.

During the year Provident Financial established a new subsidiary, Peoples Motor Finance, by merging Burns-Anderson Finance, which it acquired in 1990, with Lynn Regis Finance, its motor hire purchase company.

Profits in the core consumer credit business rose by £3m to £32.7m, but insurance profits were down to £6.9m (£9.3m).

Non-core activities made a profit of £700,000 (£900,000 loss). During the year, the group sold two subsidiaries, PMSL Computer Services, and Mentor Interactive Trading, and disposed of its stake in Invergordon Distillers.

Earnings per share were 48.05p (42.76p) and a final dividend of 15.5p is recommended, bringing the total for the year to 23.5p (20.5p).

The shares rose sharply during the day to close at 449p, up 24p.

● COMMENT

Yet again Provident Financial has shown an ability to grow steadily at a time when larger lenders are being buffeted by unfavourable market conditions. Part of the secret is no doubt that people who live in council houses, as most Provident customers do, are sheltered from the sting of higher mortgage interest payments. The withdrawal from business areas outside those directly related to consumer finance is evidently working well. Equally impressive is a fall in central costs from £6.4m in 1989 to £4.1m. On the downside, Provident's customer base will almost certainly be hit by higher level of unemployment during the coming year and the motor insurance market is likely to remain very tough in 1991. Slightly slower profits growth is therefore to be expected. But these days this hardly counts as bad news.

Government pressed to extend brewers' deadline

By Philip Rawstorne

MR PETER LILLEY, trade and industry secretary, is being pressed to extend the deadline of November 1992, by when national brewers must give up their rights as exclusive suppliers to nearly 11,000 of their pubs.

Government orders, following the Monopolies and Mergers Commission's 1989 report on the industry, require the brewers to sell or lease half their pubs in excess of 2,000 to free them from the tie.

The slide in the property market has already reduced pub prices by 15-20 per cent over the past year and brewers fear values could fall further if they are forced to put more pubs up for sale within the next 20 months.

Bass, which is to announce sales of some of its pubs today, has to free about 2,680 from the tie. Allied-Lyons has to release 2,250, and Whitbread, 2,200.

If the Grand Metropolitan breweries-for-pubs swap with Courage goes ahead as expected, another 3,600 pubs will be sold or leased from their estates.

Further difficulties are arising over the negotiation of leases for many of the pubs to be freed.

Brewers will be unable to change the terms of some leases unless agreement is reached with tenants by July next year.

To protect themselves, brewers say they may be forced to issue notices to quit on tenants who have not agreed to new terms within the next three months.

Both brewers and tenants have been lobbying MPs at Westminster for some relaxation of the 1992 deadline so as to ease their difficulties.

A DTI official said yesterday: "There are no plans to amend the regulations." But she added that ministers were in regular contact with all sides of the industry.

NEWS DIGEST

Herrburger Brooks hits flat note

HERRBURGER BROOKS, the piano actions and furniture group, hit a discordant note at its interim stage.

The Nottingham-based company announced taxable profits of £104,331 for the six months to November 30 – against losses of £52,658 last time – but this masked a trading deficit of £55,339 (profit of £54,125) before foreign exchange gains of £252,880 (£4,071). Interest payable fell to £93,210 (£110,854).

Mr Anthony Habig, chairman, described the results as "disappointing" and offered scant comfort for future trading: "The worldwide downturn in the piano industry, coupled with the strength of sterling is making it increasingly difficult to sell competitively and profitably overseas, which threatens 85 per cent of the piano division's business."

To compound the group's problems, one of its largest customers, based in Europe, has recently gone into receivership and this led to 73 employees being made redundant last week. "The emphasis . . . is for tight controls with maximum effort being made to reduce costs" he said.

However, a brighter note was provided by the furniture activities which, according to Mr Habig, were building up a good reputation with further growth anticipated.

Turnover expanded slightly from £3.48m to £3.62m. Earnings per share emerged at 5.19p (losses of 3.02p).

Cost cuts help raise Armitage Bros 15%

Interim profits at Armitage Brothers, the pet products and accessories manufacturer, have benefited from a more profitable mix of products sold and a continuing cost reduction programme.

In the 28 weeks to December 15 1990, sales improved just 2 per cent to £12.73m (£12.47m) but pre-tax profit increased 15 per cent to £579,000 (£503,000). Interest costs were lower at £228,000 (£265,000).

Mr Russell Taylor, chief executive, said no significant lift in sales was expected for the rest of the year, but benefits should continue from cost reductions. New business was being gained in the UK and overseas, in spite of tough trading conditions.

Earnings per share expanded to 9.1p (8p) and the interim dividend is 2.5p (2.4p).

Initial payment at Gartmore Pacific

Gartmore Emerging Pacific Investment Trust is paying a dividend of 0.1p for its first full accounting period – November 3 1989 to December 31 1990.

Gross revenue amounted to £851,000 and earnings per share came through at 0.19p.

At December 31 net asset value was 44.9p, a marginal increase on the 44.1p reported at September 30.

Fairline Boats to shed 70 jobs

Fairline Boats, the Peterborough-based boat builder, has announced some 70 redundancies at its production plants at Oundle and Weldon, Northants. Fairline currently has more than 500 employees.

Mr Sam Newington, chairman, said that trading to date had been satisfactory but given the current uncertainty regarding the recession in the UK and the conflict in the Middle East the company felt it prudent to take action.

Sam Newington: chairman

St David's Investment Trust

St David's Investment Trust raised net asset value per income share to 103.54p at January 31 1991, against 102.18p a year earlier, but the figure per capital share fell from 166.86p to 113.8p.

Net revenue increased from £242,000 to £281,000, after tax of £106,000 (£85,000). Earnings per share increased from 5.9p to 6.85p and the interim dividend is lifted to 4.7p (4.4p).

Pirin takes over Courtney contracts

Courtney Pope (Holdings), the shop-fitting and engineering company which has put six subsidiaries into receivership, is selling the contracts of three other businesses for an undisclosed amount to Pirin, a private concern.

The work being taken over by Pirin, a building and shop-fitting contractor, was being carried out by Courtney's Frederick Sage and Brent Architectural Metalwork subsidiaries. They were linked via inter-company loans to Quickwood, the shop-fitting company where receivers from Touche Ross were appointed last week.

Courtney said negotiations with Pirin had been going on for some months and were now being concluded by the receivers at Quickwood.

Fleming High Inc falls 9% to £1.44m

The pre-tax result at Fleming High Income Investment Trust fell 9 per cent, from £1.58m to £1.44m, in the nine months to January 31.

The trust said that last year's figure had benefited from a substantial amount earned from funds held on deposit.

Net asset value came to 82.1p, against 96.9p at the end of the comparable nine months.

An increased third interim dividend of 1.45p (1.3p) makes 4.3p so far this year, on line to meet the year's target of 5.75p, an increase of 9.5 per cent. Earnings per share came out at 4.23p (4.69p).

Doctus in row over severance payments

Directors and senior managers at a company bought last year by Doctus, the management, personnel and marketing consultancy, are threatening to sue over severance payments.

Two directors and three senior managers made redundant from Buckingham House, acquired by Doctus last March, claim the total amount that should be paid to them is roughly £170,000, but that Doctus has offered substantially less. They planned to try to raise the matter at the group's annual meeting in London today.

They said the two directors had contracts entitling them to 12 months' notice, while two of the managers had six-month entitlements, in addition to redundancy pay. An offer to settle for less had been turned down by Doctus.

There is a separate dispute over deferred payments for the company, which markets management development programmes. Most of the 15 employees have lost their jobs in what Doctus described as a restructuring exercise.

Doctus said the issue was complicated because the employees were former shareholders in Buckingham. The matter was still under negotiation and would be discused at a board meeting on Friday. "A lot of litigation" was expected.

The group increased pre-tax profit by 35 per cent to £11.4m in the year to end-September, although earnings per share rose less rapidly to 18.07p (16.03p). Net debt of £25m compared with shareholders' funds of £13.2m.

TECHNOLOGY

Amdahl sets off a Sparc

AMDAHL, the US computer manufacturer partly owned by Fujitsu of Japan, has announced that it intends to build computer systems based upon a family of high-performance microprocessors developed by Sun Microsystems.

The microprocessor family, known as Sparc, is of a design known as reduced instruction set (Risc) which trades off simplicity of architecture against complex operating software.

For Amdahl, which pioneered "plug compatible manufacturing" – developing computers functionally identical to those made by International Business Machines – building computers around a Risc chip will be a big departure.

The move may, however, be related to moves being made by Fujitsu to develop a strategy to compete in the "new" computing world of open systems and standard microprocessors. It has already formed a top-level strategy group involving both Amdahl and its UK-based subsidiary International Computers (ICL).

ICL makes powerful workstations (network servers) based on Sparc chips which Fujitsu intends to market in Japan. Fujitsu Microelectronics, a US semiconductor subsidiary of Fujitsu, manufactures Sparc chips under licence.

Amdahl refused to comment on the types of computer the company intends to build using Sparc microprocessors. It also denied that there had been co-ordination between Amdahl and ICL over Sparc products.

Amdahl, 43 per cent owned by Fujitsu, is increasingly giving attention to "open systems", although the company's primary focus remains the IBM-compatible mainframe computer market.

"We are impressed with the benefits and success of the Sparc technology," said Joseph Francesconi, Amdahl senior vice president of open systems. "To complement our broad line of products based on the System/390 architecture, we are interested in technologies like Risc as a means of providing effective solutions to customers' data processing needs."

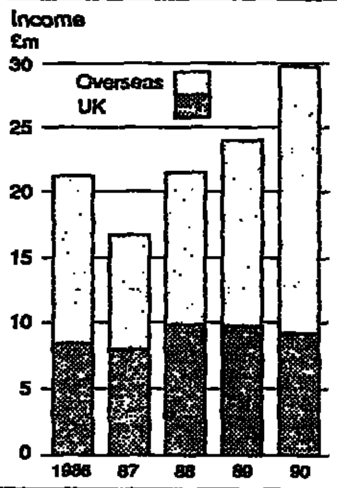
Louise Kehoe
Alan Cane

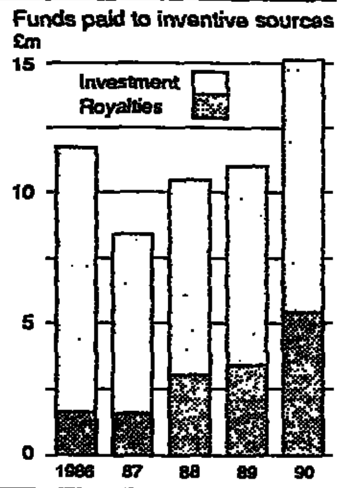
David Fishlock argues the case for and against privatisation of the British Technology Group

The bird yearns to leave the nest

BTG

Sir Colin Barker, BTG chairman





The British Technology Group Bill, which began its passage through parliament this month, aims to turn BTG, the government's agency for backing inventors, into a government-owned plc as the first step towards privatisation in the autumn. Politicians and scientists have pointed to risks that a buyer might strip BTG's assets and quickly abandon an agency built up over 40 years.

BTG is a small, high-technology company that is probably as big as it can get in Britain, but sees excellent prospects for growth overseas. It deals in the esoterics of technology transfer; that is, in intellectual property such as patents and "know-how". Inventions and scientific ideas are transformed profitably into new products and processes.

In these areas Britain has had a few remarkable successes, such as Pilkington's float glass, and many expensive state-funded failures including airliners, machine tools and nuclear reactors.

An example of a brilliant British invention is magnetic resonance imaging, a medical scanning technology that is expected to be BTG's biggest single source of income this year. Yet no British manufacturer is using the patents. BTG's income is generated from royalties on a portfolio of about 16 university patents, prised with great skill and persistence from such companies as US General Electric, Toshiba and Siemens.

BTG has spent more than 40 years learning the pitfalls of intellectual property, and the idiosyncrasies of people with bright ideas. It has learned, for example, that the easiest way to make enemies is to refuse to give inventors public cash.

Unfortunately for its public relations, there are far more reasons for saying no than for writing a cheque. The idea may not work, or may not be new, or may be judged not so bright commercially. The inventor may be too demanding, unco-operative, lacking in commercial acumen. Often it takes time as well as skill and experience to evaluate an idea and its sponsor properly, and to decide what is a reasonable sum to gamble. For gambling it invariably is.

As the National Research Development Corporation, BTG was born in 1948, with the political goal of preventing British brainwaves from being exploited overseas, as was thought to have happened with penicillin. (The war-time government sent penicillin's inventors to the US specifically to find companies willing to do the development British industry was unable to do.)

By the late-1970s BTG had built up considerable legal and technical skills in securing intellectual property rights for its inventors. It then fell foul of the new Thatcher government for allegedly failing to patent an invention for making monoclonal antibodies.

The evidence suggests that the Medical Research Council scientists involved were more interested in academic honours than commercial opportunities and gave no help. But as punishment the government merged it with the much bigger National Enterprise Board, repository of industrial "lame ducks", and renamed it BTG.

Sir Colin Barker became chairman in 1983 with a brief from the Department of Trade and Industry to liquidate its lame ducks and beef up the business of technology transfer. He wooed a British scientist, Ian Harvey, back from the US as his chief executive.

Of the former NEB, there is nothing left for sale, says Sir Colin. He is trading very profitably for a team of less than 200, but that is because BTG is more than simply a technology brokerage. It is an organisation with exceptional in-house skills at handling intellectual property. As Harvey puts it: "We add a tremendous amount of value – and then we license it." He claims it is the world's leading organisation devoted to technology transfer. In 1989-90 BTG earned £29.5m – 70 per cent from overseas – and made a pre-tax profit of £9.5m.

Privatisation is an objective which BTG's management council has been working towards for several years. DTI officials claim that until last week's parliamentary debate the issue had aroused almost no public – or even inventor – interest, which may account for the sudden concern about asset-stripping.

Price Waterhouse, as financial advisers to DTI on the sale, is about to submit a report which should clear up many concerns, and indicate who might buy its shares. He believes BTG is too specialised a business for a general flotation of the kind used for the electricity companies.

What would make no sense whatever to BTG's management council is a break-up, Sir Colin says. For example, all parts of BTG depend on a large core team of about 30 legal and patenting experts who service all its manifold technical activities. The council has three overriding concerns – that BTG shall retain its reputation for impartiality, integrity and independence; what Sir Colin calls "the three Is". Independence implies that no single company should gain control of this broad-spectrum agency.

Sir Colin, in consequence, puts a conservative value on BTG, only £35m-£45m. This includes reserves of about £20m and its own building at the Elephant and Castle worth £8m or more. But his figure assumes there will be restrictions imposed by government to guarantee the "three Is".

An unrestricted sale could fetch much more. Japanese industry – which has first-hand knowledge of BTG's skills, not least in negotiating royalties from its big electrical groups – has been showing keen interest. The government has already had a recent experience of a highly technical activity fetching twice what it was forecast to make, when it sold the Plant Breeding Institute to Unilever.

BTG's success in technology transfer is rooted in the size of the catchment area it has been cultivating, far bigger than the world's biggest universities. Increasingly in recent years it has recognised that it must exploit a global catchment. Britain does only 5 per cent of the world's science. BTG has been introducing British industry to other countries' ideas and inventions – no part of its original brief. Last summer it made a major move into the international market for intellectual property by setting up BTG Inc in Pennsylvania.

Assuming government, on the basis of the Price Waterhouse report, goes ahead with the sale it still has a wide range of options, ranging from an unfettered auction through some kind of foundation, to a management buyout on the management team's own terms.

But BTG's management believes that it has reached the limits of development in the public sector. Even though it has won considerable freedom from the DTI, there remains the fact that for overseas people and organisations it is unambiguously an agent of government. The government imposes financial constraints. BTG cannot acquire more than 25 per cent of the equity in a company or spend more than £250,000 without special dispensation from government. If BTG is to grow, it must be freed, Sir Colin believes.

The alternative is to see BTG's role more narrowly, as an agency working primarily – even wholly – for British academics and inventors, as the National Research Development Corporation was originally conceived. But the monopoly it was then granted by government on the ideas of British academics and government scientists ended in 1985.

Since then about three-quarters of British universities have been given permission to market their own intellectual property. Research agencies such as the Medical Research Council also operate independently. BTG must compete also with substantial private-sector technology transfer agencies such as 3i for the attention of Britain's scientists.

In short, the game has changed completely. But BTG believes that of all the dozens of new technology transfer activities which have sprung up in Britain in the last few years, it is the only one equipped and battle-hardened to compete on a global front.

A desert guide to steer troops clear

By Della Bradshaw

Every desert land offensive since the Second World War has relied on men who could read the stars to help the troops determine their position. But if the allied forces mount a ground attack from the Saudi Arabian desert they will use sophisticated electronic equipment to replace the astronomer.

A network of American-made satellites will enable soldiers on the ground to calculate their position with pinpoint accuracy. This global positioning system (GPS) has become "the new stars", says David Deal, military programme manager at Magellan Systems, of Monrovia, California, one of the suppliers of these electronic "compasses".

Since the Gulf conflict began Magellan has sold 2,000 units – each about the size of an electronic organiser – to the US Army and Marine Corps, 600 to the UK Ministry of Defence, 600 to the Saudi Arabian forces and some to the French Foreign Legion.

Neighbouring manufacturer Trimble Navigation, of Sunnyvale, has sold 3,000 units to the US military with a further 6,000 on order, as well some to the MoD. And the UK company Navstar has sold about 50 units for use on British Navy vessels. "I think it would be fair to say that every British vessel in the Gulf has a Navstar unit on it," says Clive de la Fuente, of Navstar.

But central government purchasing is not the whole story. Both companies report that individual soldiers are phoning them from the Gulf with their credit cards, eager to have their own GPS receiver. Deal reports that his company even shipped one of the $3,500 (£1,800) units to a concerned mother who sent the equipment on to her son in the Gulf.

The advantages of the GPS units are several. The Saudi desert has few recognisable landmarks, making map-reading difficult, particularly at night. Once disorientated by the smoke from groundfire, troops can easily wander into their own firing line.

But even if visibility on the ground is low, the hand-held or vehicle-mounted units can still send and receive signals confirming the location of the soldier within 25 metres. Units, such as the Trimble Navigation one, update the location every second.

The units calculate their location using the nearest three out of a network of 15 satellites which move above the earth's surface. Each satellite is synchronised so that when the unit picks up the three signals it can calculate the soldier's exact position.

The units could also be used for helping to target missiles more accurately. If a soldier knows his own position, and can calculate how far away and in what direction a potential target is situated, he can feed that information via radio to an incoming fighter plane to assist in targeting missiles, thereby reducing hits on "friendly" targets.

Manufacturers of the GPS terminals, which include STC and Columbus Positioning in the UK, still believe the boom market for the units would be in the commercial sector. They have proved particularly popular with sailors and vehicle fleet managers for navigational purposes.

The commercial and the military units are similar – but the military units have more rugged cases and have been tested for both very hot and very cold conditions. Also, the military units have an individual way of expressing the co-ordinates, says Walter Melton, vice-president of Trimble's government systems division.

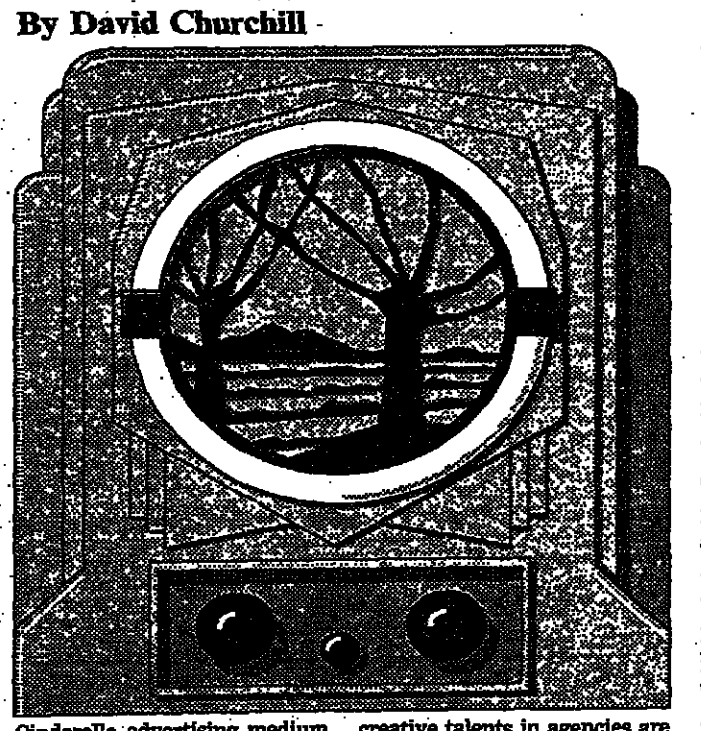
The US defence establishment is confident that the Iraqi army does not have the capability today of turning US technology back on itself – by buying some GPS receivers and using them to target weapons of the allied forces. As a result it is able to use the existing commercial units.

But with the spread of GPS, the technology is now being developed to thwart military abuse. A small number of units has been manufactured which encrypts the signal between the satellite and receiver. In time of conflict the GPS satellites would be configured so that the pinpoint positioning is only available to the élite machines. Commercial users would receive signals allowing them accuracy of up to only 100 metres.

MANAGEMENT: Marketing and Advertising

Commercial radio hits a blue note

By David Churchill



A year ago, 61-year-old David Lee was riding high. As a jazz fanatic he had one of the most enviable jobs in Britain: music director of the fledgling Jazz FM London radio station, the first commercial station to be launched into the lucrative London market for almost two decades.

But earlier this week Lee was ousted by the board from his position, although he remains a major shareholder and director of the radio station he helped found. The move is part of the substantial changes being introduced into the station's programming next month in a bid to win a greater share of the market for listeners in the London area.

Almost a year after its launch, Jazz FM has found itself in difficulties. Its share of the London market has slipped badly to put its mixture of modern and traditional jazz, combined with a smattering of rhythm and blues, behind even the elitist classicism of Radio 3 and only marginally ahead of the BBC's Radio 5 station, itself launched last year aimed at sports, schools and other listeners.

Audience ratings for the last quarter of 1990 gave Jazz FM only a 0.97 per cent share of the total listening hours among Londoners. Radio 3 had 1.75 per cent and Radio 5, 0.65 per cent.

Jazz FM – one of three commercial stations launched in London in the past year, along with Melody and Kiss FM – was initially seen as a potential front-runner for the non-pop national radio franchise to be awarded this year by the new Radio Authority which came into existence last month.

But last week the poor ratings and an estimated 20 per cent slump in radio advertising revenue as a result of the recession led to Jazz FM making 16 of its 40 staff redundant and announcing a "new look" from next month.

Its problems have raised doubts as to whether niche radio stations are commercially viable – just when the new Radio Authority is poised to franchise up to 30 more commercial stations a year throughout the UK over the next few years. London's commercial radio infrastructure, moreover, was widely regarded as the deregulation blueprint for the rest of the country in the 1990s. But will the planned revolution in listening habits prove stillborn?

Radio has for long been the Cinderella advertising medium in the UK. Until 1973, when the London stations LBC and Capital were franchised, the only way UK advertisers could reach radio audiences was through Radio Luxembourg or "pirate" stations such as Radio Caroline. Since then, however, the number of radio stations has mushroomed: to 49 in 1985 and 78 by last year.

Yet radio's share of the national advertising "cake" has remained virtually static at between 2 and 3 per cent for the past decade and in 1989, the last year for which figures are available, it totalled £142m. But this is small-scale in comparison with other media; for every pound spent on radio commercials, for example, more than £20 is spent on press advertising.

Advertisers remain sceptical about radio's ability to deliver the sort of listeners they want in comparison with the highly-researched and targeted audiences offered by television and the press. Inevitably, the best creative talents in agencies are rarely used on radio campaigns, thus reinforcing the image of radio as a "second-rate" medium.

Yet the new wave of commercial stations typified by those in the London area believe that such a view sells radio short. "We offer advertisers the sort of target audiences they cannot easily reach," insists John Bradford, Jazz FM's chief executive. Jazz FM's target is the 25 to 55 male listener in socio-economic grouping AB (professional and executive), with an average age of 36.

Its rivals have their own niches. Melody, launched last July and owned by Hanson, is aimed at the "more mature and discerning listener over 35", according to station manager Sheila Porritt. Kiss FM, once a "pirate" operator in the early 1980s, was legalised last year and is targeted at the 15 to 24 youth market. Its backers include Richard Branson and publishing group Emap.

Both new stations have done well in the ratings war; Melody has a 5.1 per cent market share and Kiss 2.7 per cent.

But the target they all have to beat is the long-established Capital Radio which, after a shaky start in the 1970s, benefited from the buoyant economy of the 1980s and little competition. Since splitting its frequencies in 1988 it has maintained its stranglehold on listeners: Capital FM (the pop station) is the top station in London with a 15.1 per cent share (ahead of Radio 2 with 13.3 per cent), and Capital Gold (which plays hits of the 1950s and 1960s) has 10.1 per cent.

While Capital gained from its frequency split, LBC – the all-news station founded at the same time – has lost listeners after doing the same, in spite of bringing in such heavyweight presenters as Angela Rippon and Michael Parkinson.

The problem that the plethora of new stations is bringing to advertisers is that the extra choice is making listeners more fickle. After decades when the BBC dominated the airwaves with its broadly-based segmented markets, the emergence of niche players is providing listeners with the opportunity to switch stations according to mood.

"We welcome this new flexibility," says Melody's Porritt. "We expect listeners to tune in and out – especially with the pre-set stations on many car radios – and build this into our programming."

Jazz FM's re-launch next month, however, is aimed at reaching and retaining the jazz fan at different times of the day. "We want to be a bit more predictable in our sound when they tune in," says Bradford.

But the immediate problem for the commercial stations is simple survival in the recession. Much of their advertising revenue has come in the past from the retail and motor sectors – two of the hardest hit industries in the recession. Dominic Proctor, media director for the J Walter Thompson advertising agency, believes that "a lot of the new stations underestimated the difficulties". He queries whether there will be sufficient advertising revenue to go round.

Yet niche players have survived for years in New York, where there are over 80 stations catering for every taste. The US, moreover, also shows that listeners seem able to take a lot more choice; Americans have one station for every 25,000 people, compared with one for every 500,000 Britons.

Karen Zagor explains how Mattel is exploiting the doll's exposure by forming retailing links with manufacturers of full-size clothing

Barbie picks her accessories

Barbie: dressed by Benetton and Reebok and dreaming of a wedding

Judging by the dearth of entirely new products at last week's all-important annual New York Toy Fair, when the new toys for the year were unveiled, the toy industry is abiding by its new tenet that it is better to add gimmicks to old, reliable products than to invest heavily in something which may not sell.

After years of erratic profits, the big toy companies seem to have found a recipe for stability by "refreshing" their old lines.

This year Mattel, which makes the Barbie fashion doll, has added a new twist by joining forces with Benetton and Reebok, the first time the toy maker has linked up with national apparel makers. The denim-clad All-American Barbie comes with two pairs of Reebok high-top sports shoes, and there is also a Benetton Barbie, whose outfits can be found (life-size) in Benetton clothing stores.

One industry analyst describes the links with Benetton and Reebok as "nice wholesome tie-ins" for Mattel. Although the lines are not expected to generate dramatic profits for any of the companies, they will increase market exposure for all concerned. And exposure is crucial for survival in the competitive world of toys, where companies are fighting over static sales of about $13bn.

Toy-makers are well aware that children are capable of playing without the help of their products. Consequently advertising and promotion play a bigger role in the toy business than in almost any other industry. According to Gary Jacobson, an analyst at Kidder Peabody, most toy companies spend between 13 and 17 per cent of their revenues on advertising and promotion.

Mattel claims that Barbie is the most highly promoted and advertised toy in history, supported by a "multi-million dollar campaign encompassing extensive advertising and aggressive cross-marketing tie-ins to causes and other products". The publicity seems to pay off. Barbie has had strong sales for 31 of her 32 years. In 1990, Barbie dolls and accessories brought in revenues of $700m.

Increased licensing is another relatively painless way to improve consumer exposure. This year Mattel is expanding its licensed products to include Barbie dresses, trousers, shorts, bedding, T-shirts and a range of birthday party goodies.

Meryl Friedman, vice president of Barbie consumer products, says: "Mattel has achieved a stunning 95 per cent penetration with Barbie among girls age 3 to 11 in the US. We see a strong licensing programme as a way not only of strengthening the Barbie franchise outside toys, but also as a way to build Barbie into a billion-dollar business for Mattel."

Larry Carlat, editor of Toy & Hobby World magazine agrees that licensing the Barbie name could be extremely lucrative. "I can see little girls saying 'I want to go to the Barbie store' someday."

The Barbie line excels at selling girls a dream, packaged in glitter and lace. The 1991 products include a fantasy wedding package where Barbie's best friend Midge marries her long-time boyfriend Alan. Mattel has discovered that little girls like to buy wedding dresses so this year Barbie, who is doomed to remain single for the rest of her shelf-life, indulges in a dream of her own wedding, complete with white gown.

Concern about the environment is one of the few major issues of the 1990s that the toy industry has deemed worthy of addressing this year. Playmates, the US toy company that gave the world Teenage Mutant Ninja Turtles, is launching its latest line with the legend: "Faster than a nuclear meltdown. Stronger than the Environmental Protection Agency. Able to blow away radioactive fall-out with a single breath."

Toxic Crusaders are led by Toxie, otherwise known as Melvin Junko – "98 pounds of solid nerd who fell into a bubbling vat of toxic waste which transformed him into a hideously deformed creature of superhuman size and strength."

Toxie and his friends, including Nozone an acrobatic pilot deformed after he flew through a hole in the ozone layer and landed in a silo of radioactive pepper, pit their strength against Doctor Killemoff and the Radiation Rangers who are trying to lead the human race to toxic ruin. This motley crew of mutants will also have their own television show.

More benign products include a stuffed globe "Hugg-A-Planet" by XTC Products, and a Captain Planet board game from University Games, with wooden dice and other recyclable components.

Whether catering to the pretty or the macabre, the one thing toy companies tend to shy away from is reality. Even the most grotesque products on the market are firmly rooted in fantasy. One has to wonder whether harsh reality will ever be marketable enough to find its way into the world of toys. Barbie, after all, is approaching her 33rd year, and her companion Ken, recently celebrated his 30th birthday. Perhaps the time will come when Barbie's accessories include eye cream and hair dye, Ken has a beer-gut and Midge gets a divorce.

COMMODITIES AND AGRICULTURE

Moscow to pump funds into oil sector

By Quentin Peel in Moscow

THE SOVIET government has agreed on emergency measures to pump 25bn roubles of extra investment into its ailing oil industry this year, to prevent a further collapse of production. At the same time, special regulations have been approved allowing the oil workers of Western Siberia, the country's biggest oil field, to keep extra hard currency earnings from oil exports to improve their living conditions.

The plan was approved at an extraordinary meeting of the new Cabinet of Ministers, chaired by President Mikhail Gorbachev, in response to dire warnings of falling output, strike threats and increasingly serious equipment shortages in the country's most vital industry.

In an appeal to the Soviet president, leaders of the oil industry in Tyumen, Western Siberia, warned last month that if production continues to fall at the present rate, the world's largest oil producer could become a net oil importer by the middle of the decade.

Production last year fell by 37m tonnes, from 607m tonnes in 1989 to 570m tonnes. Mr Yuri Shafranik, chairman of the Tyumen regional soviet, accused the central government of "criminal indifference" to the fate of the industry, saying that the oil field would see a further production fall of between 40m and 50m tonnes

President Gorbachev: Chaired the committee that approved the plan

this year.

Details of the emergency package, which have yet to be published in Moscow, were revealed this week in an interview by Mr Vladimir Kuramin, deputy chairman of the Bureau for the Fuel and Energy Complex. He said the government had earmarked Rb25bn for 1991 alone, to finance emergency technical re-equipment of the oil fields, and social measures to improve living conditions for the workers.

"Since the cabinet meeting, the government and prime minister himself have found sources of finance for the industry," Mr Kuramin said. "It may not cover the problem completely, but it will be a major contribution".

At the same time the oil workers' demands to keep more of their foreign currency earnings have been answered with an agreement that the oil production associations can hold on to 70 per cent of the export earnings from any oil they produce above the level of state orders.

Both measures will inevitably restrict the resources available to other sectors and regions of the country, and that is probably why they have not been published in detail.

The government has not met the industry's demands for a far higher producer price for oil. It has been raised from an average of Rb23 to Rb25 a tonne, to an average of Rb70 a tonne. However, Tyumen, as one of the lowest cost oil fields in the country, will get only Rb60, whereas high cost fields can get up to Rb120.

Even at Rb70, the new price is likely to be a huge burden on the central budget, as the government has decided it cannot afford to increase the retail price of energy products, such as petrol, diesel and electricity, in the near term. That means the difference will have to be made up as a direct budget subsidy.

The 1991 investment programme will be targeted at reopening oil wells that have been abandoned because of poor maintenance or lack of equipment. It will also be used to convert the oil equipment industry to producing more appropriate technology for the smaller oil wells that have to be brought into production to maintain total output.

A huge programme of repair, replacement and maintenance of feeder pipelines in Western Siberia is also needed, with thousands of kilometres of pipes in a critical condition. An estimated 40,000 pipeline accidents occur in the oilfield every year, leaving vast areas of oil spills in the Siberian marshes.

The Cabinet of Ministers also ordered the preparation of a long-term investment programme for the industry, to revive production in the period up to the year 2000. Details must be ready by the middle of the year, and they will cover the question of designing new technical equipment, a programme of energy saving, a social development programme for the Tyumen region, and plans for reconstruction of Soviet oil refineries; to raise their efficiency.

Mr Kuramin said that Soviet refineries managed to recover only between 60 and 65 per cent of each barrel of oil, compared with 85 to 90 per cent in the West. "Economic calculations show that at a certain stage, it is more profitable to reconstruct these plants, instead of simply raising oil production as we have done in the past," he said.

Volatility expected as NZ wool sales resume

By Dai Hayward in Wellington

NEW ZEALAND wool exporters expect volatile prices when auction sales resume today, but also predict increased demand over the next few months.

The New Zealand Wool Board suspended auction sales last week and scrapped its price support scheme, under which it bought wool to maintain a floor price. This caused its stockpile to grow by 150,000 bales to 650,000 bales in the past seven months.

There have been predictions that removing the board's support will cause prices to drop 50 per cent to only NZ$2 (62p) a kilogram. Earlier this month the price was $4 a kilogram and 18 months ago $6 a kilogram.

Exporters say it will be a few weeks before the true market value of New Zealand wool is established – the first time this will have applied for 20 years.

Mr Michael Moss, president of the New Zealand Council of Wool Exporters says: "As price trends become more evident confidence will return among international customers. Many need to rebuild their stocks. They are clearly now short of wool."

He expects a growing demand, particularly from western Europe, where the better quality New Zealand wools have been gaining market share from synthetics, against which they have a price advantage, and Mr Moss does not believe prices will fall substantially in value. "It is not in the interest of exporters or mills to see them fall substantially in value," he said.

However some of the poorer quality wools, such as the very short length types may have trouble finding buyers. Although the market did not want these, farmers needing a cash flow continued to produce them knowing that any unsold wool would be bought by the board.

Mr Moss says the new situation gives exporters a great opportunity to market New Zealand wool free from the influence of market intervention and price manipulation.

Meanwhile angry farmers in the southern part of New Zealand who have yet to shear and send their wool to the auction sale are bitter at the wool board's decision to suspend the price support scheme. At protest meetings they have criticised the board for changing policy in mid season. They have demanded that a record of all wool sold at auction be carefully kept so that they can receive the equivalent of the supplementary payment already paid to their northern colleagues, at some later date.

Aluminium stocks forecast to increase despite Gulf war

By Kenneth Gooding, Mining Correspondent

ALUMINIUM CONSUMPTION is being boosted by the Gulf war but not enough to compensate fully for the impact of the recession in many western markets, says the Economist Intelligence Unit in its latest World Commodity Forecasts publication.

The EIU presumes that substantial quantities of aluminium will be needed to replace ordnance and equipment used by the United Nations force in the Gulf. "Assuming that 1,000 tonnes of aluminium a day are consumed and that the war lasts nine months, the cumulative impact would be 300,000 tonnes of additional consumption.

"Even on these pessimistic assumptions, this would fall well short of the 800,000 tonnes or so by which producers' stocks could increase in 1991 as a result of the economic slowdown," says the EIU.

The unit has sharply lowered its aluminium price forecasts, saying that a developing surplus of supply will hold prices in the range of US$1,500-$1,600 a tonne compared with an average of $1,632 last year and $1,916 in 1989.

It says even prolonged military activity or disruption to Gulf aluminium smelters would not be enough to cause more than a stabilisation of prices in the current range.

"By the end of 1991 we expect smelter production to have been trimmed at some higher cost operations – perhaps even in Europe, where the highest-cost plants are now to be found," it adds.

Demand will pick up sharply in 1992 but this will coincide with the start-up of some new smelting capacity, so the recovery in prices may be weak, the EIU suggests.

● Oil prices this year are forecast by the EIU to average US$23 a barrel, well below last October's peak but higher than the current level, "which allows too little margin for things to go wrong."

"World Commodity Forecasts," £345 or US$465 for six copies a year from the EIU, 40 Duke Street, London W1A 1DW.

India faces iron ore dilemma

By Kunal Bose in Calcutta

THE INDIAN ministries of commerce and steel have locked horns over the desirability of exporting iron ore, of which the country has plentiful reserves. The raging debate between the two ministries has caused much embarrassment to the government, which, because of an unprecedented balance of payments crisis, cannot afford to restrict iron ore exports.

India hopes to earn more than R10bn (£270m) from iron ore exports during the year ending March 1991.

Normally no objection would be raised to exports as domestic consumption of iron ore takes less than 20m tonnes out of annual production of about 50m tonnes. But the steel ministry's reservations about exports mainly relate to high ferrious content iron ore which is mined at Bailadila in Madhya Pradesh. It contends that with the commissioning of the Vizag steel plant and a host of sponge iron units, which all will need high grade iron ore, the Bailadila mines will not have much to offer for export.

The steel ministry, which is championing the cause of exporting value-added finished products would like the government to restrict the export of Bailadila ore. It is, however, not able to justify its stand with facts. Production of iron ore from the Bailadila mines is expected to go up from 8.64m tonnes in 1990-91 to 12.42m tonnes in 1994-95, while the requirement of domestic consumers for this particular type of ore in the same period is forecast to rise from 1.7m tonnes to 6.9m tonnes. Over the five years, therefore, the exportable surplus of Bailadila ore is projected to decline from 6.94m tonnes to 5.52m tonnes.

The Japanese steel industry, which accounts for nearly 65 per cent of Indian iron ore exports, has served notice that unless it is given 6.5m tonnes of Bailadila ore a year in the next five years, it could very well reduce its ore imports from India.

It may be difficult to find that much ore from Bailadila mines in 1994-95 after meeting the domestic requirement,but the Japanese demand could easily be met during the period 1991-92 to 1993-94.

Japan is willing to import a total of 15m tonnes of ore a year over a five year period, including ore from the Redi mines, which have a high alumina (aluminium oxide) content and a low ferrous content. Finding an additional outlet for the inferior grade ore mined at Redi will prove to be a boon for India since exports to Rumania have become uncertain.

It will hurt India's interest if, because of the differences of opinion over exports, the government agencies concerned with iron ore mining and export apply a brake on the development of port facilities and mining infrastructure. India will not be able to compete with Australia and Brazil in the European market till its harbours are made ready to accept ships of more than 250,000 tonnes. It is mainly because of higher freight costs that Indian iron ore is uncompetitive in the world market.

The steel ministry may go on protesting that the exportable iron ore surplus is declining. The fact, however, remains that in the past decade, domestic ore consumption increased by only 3m tonnes to 18m tonnes, while current production is about 50m tonnes. India's recoverable iron ore reserves are estimated at 10.3bn tonnes.

Alaska doubles mineral receipts

ALASKA PRODUCED $534m worth of minerals in 1990, nearly double the 1989 value of $277m, the Alaska state government announced, reports Reuters from Anchorage.

Much of the increase came from Cominco Alaska's Red Dog Mine, which opened in late 1989, said Mr Richard Swainbank, mineral development specialist for the Alaska Department of Commerce.

The mine near Kotzebue, expected to become the world's top zinc producer, is still being phased into full production, he said. "Almost always, in large mines, it takes time to tune them up."

Swainbank said he expects the minerals growth to continue, although not at the 1990 rate. "There will almost certainly be an increase in production," Mr Swainbank said.

Exploration expenditures in 1990 increased to $56.9m, up 21 per cent from $47m in 1989, state officials said. About 90 per cent of the 1990 expenditures were directed toward gold exploration, they added. Mr Swainbank said there would probably be less spent on minerals exploration in 1991 but more on mine development as mine projects throughout the state became more advanced.

Philippines struggles to halt sharp slide in sugar exports

By Greg Hutchinson in Manila

THE PHILIPPINES has lowered production forecasts for sugar in the current year, apparently bringing precariously close the day when the country will stop being an exporter.

Growing demand, declining areas planted to sugar-cane and a high population growth rate have each contributed to a reduction in the country's sugar production by more than a third since 1980 and its exports are a fraction of what they were a decade ago.

The government of President Corazon Aquino has set about trying to reverse the trend, boosting yields through research and credit support for inputs. It has abolished sugar marketing restrictions inherited from Ferdinand Marcos, the ex-dictator, allowing anyone to become a sugar merchant.

But budgetary constraints and high interest rates are slowing progress, preventing the Catholic south-east Asian nation of 64m people from making headway.

By the year 2000, it is estimated that domestic consumption – influenced by growing use of sugar and the high population growth rate of 2.5 per cent a year – will rise from 1.55m tonnes currently to 2.3m tonnes. A rise in domestic production of nearly 4 per cent a year will be necessary for the country merely to keep pace, according to Mr Arsensio Yulo, head of the Philippine Sugar Regulatory Administration.

In the last crop year (September 1989-August 1990), the Philippines produced 1.75m tonnes of sugar, up nearly 200,000 tonnes on the previous year, which happens to be exactly what total sugar exports from the country amounted to in 1980.

A decade ago the Philippines was producing about 2.4 per cent of the world's sugar, but its share has now shrunk to about 1.6 per cent.

In the 1989-90 crop year the country exported only 220,000 tonnes of sugar, worth $97m. The US took the bulk of the available crop under a yearly quota that dates back to America's colonial experience in the Philippines earlier this century.

Mr Yulo, meanwhile, has forecast that domestic production in the current crop year will reach 1.82m tonnes, down from a 1.9m target set before last November's severe typhoon in the central Philippines.

That typhoon, devastating the island of Cebu and the city of the same name, also swept through neighbouring Negros and Panay, the country's major sugar producing areas. Mr Yulo estimated crop damage on the islands at about 10 per cent, representing sugar crop losses nationwide of about 6 per cent.

With domestic demand estimated at 1.55m tonnes, it is almost certain the country can only fill the US quota this year by using its standby stocks of 200,000 to 250,000 tonnes. Exports to other countries are expected to be nil or negligible.

Figures for the current crop year do not look encouraging. Production of raw sugar since September 1 fell to 738,422 tonnes from 870,487 tonnes previously, according to the latest Sugar Regulatory Administration figures.

Canadian claims dispute goes to court

By Robert Gibbens in Montreal

A CLAIMS dispute that threatens serious delays to development of the rich Eskay Creek gold-silver property in north western British Columbia has gone to the province's Supreme Court.

On January 18 British Columbia's Chief Gold Commissioner reaffirmed ownership of the key Eskay claims by Stikine Resources, a company 46 per cent indirectly owned by Corona Corporation, an Ontario gold mining producer, and 23 per cent by Placer Dome, Canada's largest gold producer.

The claims cover about 80 per cent of the known orebody, but have been overstaked several times.

Tagu Resources, a private company, had challenged ownership by the Stikine group. After the commissioner's decision, it had 30 days to file an appeal to the British Columbian Supreme Court.

This has now been done. The court must decide soon how it will treat the case procedurally. The delay in development will partly hinge on the time taken by the litigation.

The provincial minister of mines has refused to issue a mining lease required for development of Eskay until all claims disputes are settled. The Stikine group hoped to have it in production by 1993-94.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold edged ahead on the London bullion market after speculation that diplomatic efforts in the Gulf would result in a peace announcement and drive prices downwards proved unfounded, resulting in dull trade in a narrow range. On the LME copper closed lower. Dealers said technical factors continue to dominate a market which lacks fresh fundamental factors. The spread for cash to three months has been particularly volatile. In Chicago soyabeans were falling at midday, under pressure from forecasts for rain in Brazil's growing areas. Dry conditions in Brazil had been underpinning the market but "concerns over the next weather pattern" caused prices to slide, said one broker. London robusta coffee prices rallied towards the close after hitting buy stops at £555 in the second position. But dealers said there was enough selling to prevent the market running away, one dealer said. New York orange juice prices were again sharply lower at midday as long liquidation continued to pressure prices after a cold snap in Florida last weekend failed to result in significant crop damage, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.45-3.65t	+0.70
Brent Blend (dated)	$16.65-6.75	+0.85
Brent Blend (April)	$17.40-7.50	+0.70
W.T.I. (1 pm est)	$19.45-9.50	+0.85

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-227	+3
Gas Oil	$287-300	+27
Heavy Fuel Oil	$74-76	+1
Naphtha	$203-208	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$364.35	+2.10
Silver (per troy oz)♣	368.50c	
Platinum (per troy oz)	$387.15	-1.85
Palladium (per troy oz)	$94.50	-1.00
Aluminium (free market)	$1510	+5
Copper (US Producer)	115⅜c	-½
Lead (US Producer)	35⅞c	
Nickel (free market)	407c	+8
Tin (Kuala Lumpur market)	15.10r	+0.11
Tin (New York)	261c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.22p	+0.82*
Sheep (dead weight)†	208.03p	+6.27*
Pigs (live weight)†	93.31p	+4.78*
London daily sugar (raw)	$218.0w	+4.6
London daily sugar (white)	$267.0w	+2.0
Tate and Lyle export price	£218.5	+2.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£94.5	
Rubber (Mar)♥	48.50p	
Rubber (Apr)♥	49.00p	
Rubber (KL RSS No 1 Mar)	228m	
Coconut oil (Philippines)§	$335.0q	
Palm Oil (Malaysian)§	$345x	
Copra (Philippines)§	$227.5t	
Soyabeans (US)	£138.5	
Cotton "A" index	85.20c	-0.10
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar/Apr. t-Apr. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	190.00	190.80	192.00	189.00
May	188.20	190.00	190.00	186.40
Aug	193.20	195.40	195.40	192.60
Oct	192.20	195.00	194.80	191.80
Mar	192.40	193.80	194.00	191.60
May	194.60	196.00	196.60	194.00
White	**Close**	**Previous**	**High/Low**	
May	290.5	292.0	292.3	289.0
Aug	290.0	294.0	293.3	289.2
Dec	265.0	263.0	268.3	263.6
Mar	264.0	267.0	263.8	
May	267.0	270.5	268.0	265.8

Turnover: Raw 2040 (1864) lots of 50 tonnes. White 1105 (897)
Paris- White (FFr per tonne): May 1479, Aug 1490, Oct 1371.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	17.41	16.80	17.50	16.65
May	16.86	16.40	16.90	16.10
Jun	16.50	16.10	16.50	15.90
Jul	16.15	15.95	16.15	
Aug	15.90		15.90	
Sep	15.92		15.92	
IPE index	16.84	16.98		

Turnover 12487 (7196)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Mar	217.00	193.50	217.00	190.00
Apr	170.00	163.75	171.00	160.50
May	160.00	155.50	160.00	153.60
Jun	156.00	155.00	158.00	152.50
Jul	157.50	155.00	157.50	152.00
Aug	153.50	157.00	153.50	153.50
Sep	159.00	160.00	160.00	159.00
Oct	162.00	160.00	162.00	

Turnover 14433 (9182) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 20	Feb 19	mnth ago	yr ago
1653.4	1682.3	1667.5	1807.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 19	Feb 18	mnth ago	yr ago
Spot	123.85	-	122.72	130.08
Futures	128.26	-	125.43	132.31

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	617	619	617	611
May	654	657	654	649
Jul	680	686	682	678
Sep	705	712	708	703
Dec	739	746	738	
Mar	765	770	766	763
May	785	790	787	784

Turnover: 4302 (2975) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 19 881.52 (891.84) 10 day average for Feb 20 843.02 (837.28)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Mar	546	538	547	533
May	556	549	560	545
Jul	570	563	570	558
Sep	586	577	586	573
Nov	603	591	600	592
Jan	617	608	610	608

Turnover: 8034 (13743) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 19: Comp. daily 71.96 (72.00). 15 day average 68.85 (68.53)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	127.0	126.4	128.0	126.5
May	147.0	150.0	148.0	146.8

Turnover 116 (139) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	113.00	113.50	113.00
Jun	112.00	112.50	112.00
Aug	114.00	114.50	114.00

Turnover 52 (110)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Feb	1680	1640	1680	1680
Mar	1601	1567	1601	1580
Apr	1448	1442	1456	1445
Jul	1115	1098	1115	1110
Oct	1218	1195	1210	1205
Jan	1268		1270	
BFI	1654	1637		

Turnover 318 (187)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	125.25	125.20	125.40	125.10
May	128.00	128.00	128.10	127.75
Jun	130.00		130.00	129.80
Nov	111.00	110.90	111.00	110.90
Barley	**Close**	**Previous**	**High/Low**	
Mar	115.60	115.80	116.30	115.60
May	119.45	119.80	119.80	119.45
Sep	104.50	104.50	104.50	
Nov	108.25	108.00	108.10	

Turnover: Wheat 643 (313), Barley 293 (357).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	111.0	112.0	110.5	
Apr	110.5	111.5	110.5	
May	110.5	111.5	110.5	110.0
Jun	110.0	111.5	110.5	
Jul	106.5		106.0	

Turnover: 42 (60) lots of 3,250 kg

BGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	156.27	156.60			
Mar	156.30	157.40	156.30		50
Apr	156.40	157.30	156.40		66
May	156.00	156.80	156.00		86

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 12,871 lots
Cash	1506-8	1503-4	1506	1505-6		
3 months	1539-40	1535-7	1543/1536	1537-8	1538-9	60,910 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,497 lots
Cash	1228-8	1265-80	1269/1268	1269-70		
3 months	1233-4	1265-8	1257/1244	1251-3	1256-7	97,725 lots
Lead (£ per tonne)						Total daily turnover 2,145 lots
Cash	301-2	300-0.5	302.5/2	301-2		
3 months	312.5-3	312-3	314/311	312.5-3	312-3	13,830 lots
Nickel ($ per tonne)						Total daily turnover 2,211 lots
Cash	8750-800	8850-900		8760-75		
3 months	8850-75	8725-40	8740/8660	8850-75	8860-80	8,091 lots
Tin ($ per tonne)						Total daily turnover 1,625 lots
Cash	5600-10	5640-5		5635-40		
3 months	5700-15	5735-40	5760/5705	5735-40	5715-20	6,422 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,211 lots
Cash	1180-2	1192-4	1181	1180-1		
3 months	1183-4	1197-8	1191/1175	1183-4	1185-6	18,214 lots

LME Closing £/$ rate:
SPOT: 1.9505 3 months: 1.9218 6 months: 1.8962 9 months: 1.8797

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	364.10-364.60	
Opening	364.00-364.40	
Morning fix	363.75	186.252
Afternoon fix	364.65	187.019
Day's high	365.10-365.60	
Day's low	363.90-363.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.33	6 months	5.12
2 months	5.28	12 months	5.04
3 months	5.24		

Silver fix	p/fine oz	US cts equiv
Spot	189.30	369.80
3 months	195.15	375.70
6 months	200.75	381.80
12 months	211.15	394.40

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	366.00-367.00	187.70-188.20
Maple leaf	376.00-377.00	192.80-193.30
New Sovereign	88.50-89.50	45.40-45.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1450	71	108	3	19
1550	11	48	43	59
1650	1	16	132	126
Copper (Grade A)	**Calls**		**Puts**	
2350	117	122	10	58
2450	49	72	42	106
2550	14	38	107	171
Coffee	**Mar**	**May**	**Mar**	**May**
450	49	57	0	62
500	3	21	7	18
550	0	5	54	50
Cocoa	**Mar**	**May**	**Mar**	**May**
600	68	64	0	10
650	16	32	0	26
700	0	14	34	60
Brent Crude	**Apr**	**May**	**Apr**	**May**
1700	85			80
1800		60		
1900	50			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	364.7	364.5	365.6	363.6
Mar	364.7	364.6	0	0
Apr	366.1	366.1	367.6	365.0
Jun	369.3	369.2	370.3	368.1
Aug	372.4	372.3	0	0
Oct	375.7	375.5	376.3	375.8
Dec	379.0	378.7	379.8	378.5
Feb	382.5	382.1	382.5	0
Apr	385.8	385.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	383.9	382.8	385.0	382.5
Jul	387.7	386.5	389.0	387.0
Oct	391.5	390.3	393.0	390.0
Jan	395.3	394.6	0	0
Apr	400.5	399.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	367.3	368.7	369.0	369.0
Mar	367.7	369.0	371.0	363.0
Apr	369.5	370.9	0	0
May	372.3	373.7	376.0	368.0
Jul	377.0	378.4	380.5	372.0
Sep	381.8	383.1	385.0	380.0
Dec	388.8	390.1	392.5	385.0
Jan	390.2	391.4	0	0
Mar	396.2	397.4	396.0	394.0
May	401.4	402.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	110.15	110.80	111.50	110.10
Mar	109.40	110.05	110.80	109.30
Apr	107.80	108.20	108.50	108.00
May	106.30	106.45	107.30	106.30
Jun	105.90	105.75	0	0
Jul	104.90	104.85	105.80	104.80
Aug	104.55	104.10	104.55	104.55
Sep	103.65	103.45	104.50	103.50
Oct	103.25	102.80	0	0
Nov	102.75	102.30	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	20.88	20.07	20.95	20.21
Apr	19.58	18.79	19.65	18.90
May	18.85	17.94	18.70	18.05
Jun	18.12	17.48	18.15	17.66
Jul	17.90	17.25	17.85	17.35
Aug	17.85	17.19	17.85	17.40
Sep	17.84	17.25	17.84	17.25
Nov	18.00	17.37	17.95	17.37

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5630	5394	5630	5475
May	5235	5067	5240	5125
Aug	5055	4920	5070	4980
Nov	5365	5253	5375	5365
Dec	5510	5355	5510	5425

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1151	1162	1169	1150
May	1171	1185	1193	1169
Jul	1203	1214	1222	1201
Sep	1233	1244	1246	1245
Dec	1279	1291	1300	1279
Mar	1320	1331	1333	1333
May	1352	1363	1362	1360
Jul	1383	1393	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	92.05	90.40	92.40	90.10
May	94.65	93.10	95.00	92.85
Jul	96.75	95.45	97.25	96.15
Sep	98.80	97.70	99.10	97.40
Dec	101.90	100.30	101.00	0
Mar	103.80	103.60	0	0
May	105.40	105.20	0	0
Jul	107.35	107.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.63	8.72	8.80	8.55
May	8.42	8.52	8.56	8.37
Jul	8.36	8.47	8.56	8.36
Oct	8.34	8.47	8.55	8.33
Mar	8.50	8.64	8.69	8.49
May	8.56	8.77	8.68	0
Jul	8.68	8.77	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	85.06	86.65	86.65	84.76
May	85.00	86.21	86.55	84.60
Jul	84.10	85.23	85.60	83.82
Dec	68.05	68.25	68.35	67.75
May	68.80	68.60	68.80	68.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	112.50	115.05	114.75	111.00
May	112.60	115.55	115.25	111.00
Jul	114.25	116.25	115.75	113.20

WOOL
Until wool values are tested at free auctions in Australia all other markets are going to be very uncertain about prices for any product connected with wool. New Zealand is going ahead with an auction on February 21. It seems that growers will have no reason to put in their own reserves, since Australia is to supplement auction room prices until July, thus enhancing price uncertainty. Bradford prices are down tentatively by 5% to 10% but no-one is buying, except for immediate delivery.

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	573/2	574/6	577/0	573/0
May	587/0	589/2	591/4	586/4
Jul	599/6	602/6	604/6	599/2
Aug	605/0	608/0	611/0	605/0
Sep	607/0	611/0	612/4	607/0
Nov	616/2	621/0	622/4	616/0
Jan	628/0	632/4	632/4	628/0
Mar	640/0	645/0	643/4	639/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.12	21.18	21.32	21.11
May	21.51	21.69	21.69	21.48
Jul	21.84	21.93	21.99	21.79
Aug	21.90	22.03	22.10	21.90
Sep	22.00	22.15	22.22	22.00
Oct	22.02	22.15	22.30	22.02
Dec	22.23	22.45	22.42	22.15
Jan	22.27	22.50	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.5	167.8	168.3	166.2
May	171.9	172.2	172.7	170.7
Jul	176.0	176.1	176.6	175.1
Aug	177.8	178.0	178.5	177.2
Sep	179.8	180.0	180.0	179.0
Oct	181.3	181.2	181.3	179.8
Dec	184.4	184.5	184.4	183.2
Jan	184.5	185.2	185.0	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	239/0	239/6	240/0	238/4
May	247/4	248/4	249/0	247/2
Jul	254/2	255/4	255/6	253/2
Sep	255/6	257/0	257/4	255/4
Dec	258/4	259/4	259/2	257/2
Mar	266/0	267/0	266/4	264/6
May	271/0	272/0	271/0	270/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	252/4	254/4	254/0	252/0
May	263/2	264/6	264/0	262/2
Jul	273/0	275/0	274/2	272/2
Sep	280/2	282/0	280/4	279/6
Dec	293/0	295/0	294/4	292/4
Mar	300/4	302/4	301/4	300/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.62	79.35	79.85	79.35
Apr	78.97	78.92	79.02	78.62
Jun	75.62	75.45	75.67	75.35
Aug	74.22	74.00	74.27	73.90
Oct	74.22	73.95	74.25	73.90
Dec	74.70	74.20	74.75	74.40
Feb	74.55	74.20	74.60	74.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	51.85	52.12	52.12	51.77
Apr	49.80	49.87	50.10	49.65
Jun	55.05	55.07	55.32	54.85
Jul	54.55	54.57	54.80	54.45
Aug	51.62	51.60	51.85	51.50
Oct	46.70	46.70	46.90	46.65
Dec	46.82	47.02	47.10	46.80
Feb	48.05	47.85	48.05	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.25	64.42	64.50	63.67
Mar	62.90	63.62	63.50	62.57
May	62.77	63.27	63.20	62.52
Jul	61.67	61.70	61.85	61.30
Aug	59.75	59.90	60.00	59.70
Feb	57.02	57.25	0	57.02

LONDON STOCK EXCHANGE

Equities finish below FT-SE 2,300

A LONDON stock market already struggling to hold to recent levels in the face of easier trends elsewhere in Europe was finally discouraged yesterday by a weak opening on Wall Street. The FT-SE 2,300 mark was lost early in the session and attempts to recover this benchmark faded when New York turned off on the latest US inflation data, showing a fall of 25.25 Dow points in London trading hours.

The FT-SE Index closed 15.6 off at 2,296.8, a shade above the day's low. Equities were on the downside from the opening, lacking a definite lead from trading overnight in Tokyo and New York and also beset by a further round of downgradings of leading stocks by London-based brokerage analysts. Uncertainty over prospects for the Soviet plan for a Gulf peace also overhung the market.

Account Dealing Dates		
First Dealings:		
Feb 11	Feb 25	Mar 11
Option Declarations:		
Feb 21	Mar 7	Mar 27
Last Dealings:		
Feb 22	Mar 8	Mar 28
Account Day:		
Mar 4	Mar 18	Apr 8

*New-time dealings may take place from 8.30 am two business days earlier.

The new round of brokerage comments brought a significant reaction in several leading stocks, notably Glaxo which announces results soon, and also in Grand Metropolitan and in the retail sector which has been recovering from a prolonged period of market disfavour. The unsettled reception for brokerage views appeared to reverse the market's more recent ability to override such adverse comment on the argument that bad corporate news is already discounted.

"Downgradings when the market is at FT-SE 2,300 will have proportionately greater effect than when we were at 2,100," commented Mr Paul Harrison at Salomon International, the US banking and securities house.

Some of yesterday's company downgrades were aimed at stocks which, having performed well in the market's advance, are now vulnerable to suggestions that profits should be taken. However, other strategists believe that the loss of Footsie 2,300 will prove a temporary setback for a market which has been largely driven forward by hopes of lower UK base rates, although Wall Street's recent advance has set the stage for the general recovery in leading world markets.

"There is a very real prospect of further cuts in UK interest rates even before Budget day," commented Mr John Reynolds at County NatWest, pointing to the favourable trends in London money markets, despite moves by the Bank of England to discourage market speculation of an early reduction. He believes that London is still seen as offering good investment value and is attractive against other global equity markets.

Selling pressure was modest yesterday and mostly concentrated on a handful of individual shares. On the other hand, the institutions appeared to be significantly less aggressive in buying stock when share prices fell. It was left to the marketmakers to fuel the attempted rallies of the day.

Seaq trading volume increased to 514.2m shares from the 487.5m of the previous session, and this ((sign of)) increased volume in a dull market was seen as a bearish sign by some traders.

There was only limited response to the day's list of corporate features. Shell closed a few pence easier after announcing fourth quarter and full year figures, with some holdings being switched into BP stock; one analyst said there was "some marginal disappointment" for Royal Dutch shareholders on the guilder dividend.

At the London close, traders were watching the New York bond market closely as it responded to comments on the US economy from the US Treasury Secretary and the chairman of the Federal Reserve Board.

FINANCIAL TIMES STOCK INDICES

	Feb 20	Feb 19	Feb 18	Feb 15	Feb 14	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.76	85.88	85.72	85.65	85.74	80.00	85.88 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.14	94.23	94.22	93.95	93.92	90.40	94.23 (19/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1826.2	1838.5	1842.6	1824.5	1817.5	1783.8	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.8 (5/9/89)	49.4 (26/6/40)
Gold Mines	131.7	134.7	134.5	134.5	136.1	310.5	378.5 (6/2/90)	129.2 (6/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2296.8	2312.4	2318.3	2296.9	2294.4	2259.7	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	1038.67	1049.57	1047.02	1024.86	1013.02	-	1049.57 (19/2/91)	900.45 (14/1/91)	1049.57 (19/2/91)	900.45 (14/1/91)
Ord. Div. Yield	5.26	5.21	5.20	5.25	5.27	4.85				
Earning Yld %(full)	10.95	10.86	10.84	10.94	10.97	11.72				
P/E Ratio(Net)(☆)	11.04	11.14	11.16	11.05	11.02	10.33				
SEAQ Bargns 4.45pm	28,731	32,177	33,763	37,105	34,226	25,172				
Equity Turnover(£m)†	-	1002.07	902.99	1461.36	1319.87	776.66				
Equity Bargains†	-	33,916	32,646	37,963	35,302	24,517				
Shares Traded (ml)†	-	461.9	410.7	587.8	606.8	359.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 26/10/90. ☆ Nil 10.85

Ordinary Share Index, Hourly changes — Day's High 1840.4 — Day's Low 1824.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1830.5	1829.1	1832.3	1836.7	1839.1	1840.1	1833.5	1827.6	1827.6

FT-SE 100, Hourly changes — Day's High 2312.0 — Day's Low 2296.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2306.2	2301.1	2304.7	2309.0	2310.8	2311.6	2304.1	2297.9	2298.3

FT-SE Eurotrack 100, hourly changes — Day's High 1045.95 — Day's Low 1037.67

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1043.43	1042.54	1042.67	1043.82	1043.46	1040.63	1038.42

GILT EDGED ACTIVITY

Indices*	Feb 19	Feb 18
Gilt Edged Bargains	95.7	98.3
5 – Day average	102.1	101.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Glaxo runs into sellers

GLAXO ended a four-week bull run as several analysts recommended taking profits. UBS Phillips & Drew voiced its caution on the market for ulcer treatment Zantac, the world's biggest selling drug and responsible for some two thirds of Glaxo's profits. It pointed to the rise of a rival treatment, Losec, made by Sweden's Astra. Losec uses a different mechanism to deal with ulcers, which the broker thinks will "put considerable pressure on existing therapies".

UBS recommended selling Glaxo but kept its buy advice on SmithKline Beecham, which makes the second best selling ulcer drug, Tagamet, on the grounds that the drug is a much smaller component of overall company profits. It also pointed to continuing benefits from the 1989 merger of SmithKline Beckman and Beecham.

Pessimism over Zantac was not shared by all researchers. Nomura remained relatively positive on the likely trend of the drug's market share. It said, however, that the shares had risen too far in recent weeks. Mr Didier Cowling said: "Glaxo has reached a similar rating to that of big US drug stocks." The big buyers in recent weeks have been from the US, and yesterday they held back.

Glaxo dropped 32 to end at the day's low of 939p, still more than 110p higher than the price in mid-January. Turnover was a busy 2.9m. SmithKline eased a penny to 677p.

GrandMet down

Grand Metropolitan, the drinks and leisure multinational, was hit hard in early trading by two reports. There were suggestions that Merrill Lynch, the US securities house, had cut its profits forecasts and advised investors to sell. However, the official announcement from Merrill said only that it had changed its recommendation from buy to neutral, saying that it would buy again if the price was 5 per cent lower.

As this story became current, some traders concluded that the company's ADR listing, due next month, was in jeopardy. This was quickly dismissed by more level-headed traders and by analysts.

The shares continued to languish, however, ending at the day's low of 714p, a decline of 18. Volume was a busy 2.4m.

Water issues, depressed on Tuesday by heavy selling from one broking firm, as well as by suggestions that a number of Package units were being broken up and sold, attracted some good support. Smith New Court was said to have been keen buyers of Welsh Water and Yorkshire Water, as well as initiating switching out of Southern into Yorkshire. Smith New Court water specialist Mr Steve Doe said the sector was looking good value relative to the electricity stocks.

Yorkshire was driven sharply higher by the Smith recommendation, closing 8 up at 305p, while Welsh put on 6 to 316p. The Package rallied 18 to £2963.

The electricity distribution companies, on the other hand, were unsettled by renewed profit-taking. The Electricity Package lost 40 to £1810, while the worst affected of the individual stocks was London Electricity, 5 down at 184p, and South Wales, the same amount off at 197p.

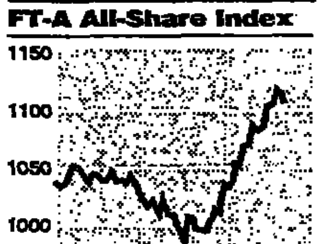
A flurry of buying interest in BP followed reports in the market that the company had participated in a significant gas/condensate discovery in Colombia, South America. No official news of the find was forthcoming, however. BP, which has been drilling in Colombia in partnership with Triton Energy, of the US, is the operator of the well, in which it has a 38 per cent stake.

Reports in the market said that the partnership had encountered large quantities of gas. Estimates ran as high as several hundred million barrels of oil equivalents. BP has acquired substantial drilling acreage adjacent to the licence area and made an oil discovery in the region in 1988.

Many analysts played down the reports, but others took the view that any news of increased reserves for BP had to be good news. BP shares, helped by switching out of Shell, edged higher to 319p on 6.6m. Triton Europe, a subsidiary of Triton Energy, advanced 14 to 106p as speculators chased the stock. The US parent, however, has been looking to sell its 58 per cent stake in Triton Europe for many months.

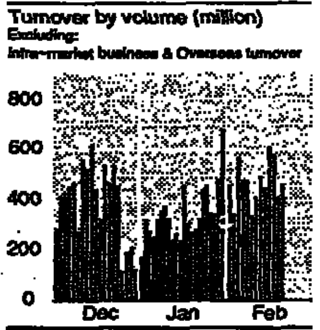
Shell Transport suffered from the switching and slipped 4 to 464p. The fourth quarter figures were as expected, as was the dividend. At Strauss Turnbull, Mr. John Toalster was cautious on the oil sector. "We see further downside," he said, and reduced his 1991 earnings forecasts. He expects Shell to achieve historic net income of £3.25bn, down from his previous estimate of £3.45bn, and increased his dividend forecast from 21.5p to 21.7p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Also in the sector, Lasmo eased 3 to 355p on keen turnover of 1.1m as the market responded to suggestions that a number of broking firms may be about to adjust downwards their asset values for the stock; asset value cuts of possibly 30p to 40p a share were mentioned. This produced a number of switch operations, out of Lasmo and into Enterprise, the latter adding 4 at 537p on 484,000 shares.

Burmah edged up to 560p on 1.6m shares after confirmation that County NatWest had included the stock in its prestigious "County 30" list of top recommendations in the UK. County said Burmah had underperformed the market by 12 per cent since the Gulf crisis began, but is seen as a prime beneficiary of falling oil prices and any recovery in the dollar. Burmah joined the list at the expense of British Gas, which County said faces regulatory worries, including the possibility of a Monopolies Commission inquiry. Gas lost 3 to 233½p with 6.6m shares traded.

Lloyds Bank was the heaviest traded stock in banks, 5.1m shares changing hands ahead of tomorrow's preliminary figures. At the close the shares were 3 ahead at 328p. Abbey National, which suffered the indignity of being dropped out of the "County 30" list, slipped 3 to 249p on 3.2m, while Midland, still haunted by worries of being the first UK clearer in living memory to cut its dividend, dipped 4 to 170p.

Provident Financial's preliminary figures were given a rousing reception by the market, which immediately marked Provident shares sharply higher prior to a close of 449p, a net gain of 24. Profits up 14 per cent and a 15 per cent rise in the dividend were at the very top end of expectations.

Lloyds Abbey Life moved up to 380p before ending a busy session 4 firmer at 377p after much better than expected preliminary figures, which detailed profits up 8 per cent. Mr Youssef Ziai at UBS Phillips & Drew said the strategy of selling life and associated products to Lloyds Bank customers was "obviously working well". Other life stocks were boosted by the ruling by the European Community allowing UK life assurers to operate in Europe under their existing terms.

Commercial Union and General Accident, scheduled to report preliminary figures next Wednesday, were both well supported, the latter adding 11 at 554p and the former 10 at 525p. Rumours that Sun Alliance, a weak market and 9 lower at 366p, may have been increasing its 14.9 per cent stake in Commercial Union were regarded by sector specialists as unlikely.

Sedgwick, the insurance broker due to report preliminary figures next Tuesday, fell 9 to 250p, weakened by a Kleinwort Benson sell recommendation.

Rights issue stories swept the property leaders, although analysts said there was no truth in them. Some damage was done, nevertheless, with Land Securities 11 off at 539p, MEPC 13 lower at 521p and Hammerson 12 down at 631p, all ending within a penny of their respective lows for the day. Second liners showed falls of around 3 per cent.

Reed International partly recovered from an early sharp fall in busy trading which had been prompted by rumours that the company was about to produce a trading statement. Reed issued an official denial, but the shares were still down 12 on balance at 390p. Turnover reached 3.2m shares.

Leisure sector leaders retreated sharply after their recent strength. Sentiment was not helped by a downgrading of Trusthouse Forte by UBS Phillips & Drew, its broker. Mr Jeffrey Harwood cut the estimate for the year ending January 31, 1991 by £8m to £196m. The figure for the current year is down to £180m from an old forecast of £235m. "They have run up far enough in the short term. Any weakness might reveal buying opportunities," commented Mr Harwood. Volume was an active 4.6m.

Other hotel issues retreated in sympathy. Ladbroke shed 12 before ending a net 8 off at 258p. Queens Moat Houses, where UBS trimmed its current year profits forecast by £10m to £100m, slipped 3 to 88p. Stakis eased 2 to 48p.

Kwik Save fell 16 to 529p as Goldman Sachs recommended switching into Tesco, up a penny at 241p, and Asda, similarly firmer at 129p. Goldman said Kwik Save had outperformed recently and suggested that investors take profits. Kwik Save was on a similar rating to Tesco and yet it was not clear whether its long-term prospects justified that. Goldman, however, denied market speculation that it had reduced its current year forecast from £95m.

Albert Fisher was unchanged at 120p as the market continued to wonder whether it would bid with Chiquita Brands, of the US, for Polly Peck's Del Monte Tropical Fruit division. The company was reported to have denied this to some analysts, but the suspicion remained that if Del Monte is up for sale Fisher would be interested. Hazlewood put on 2 to 171p following an institutional visit to the company.

The stores sector was depressed after several brokers lowered their forecasts. Kleinwort Benson estimated that real consumer spending would grow this year by just 0.3 per cent, against 2.0 per cent last year. Accordingly, it cut its 1991 estimate for Marks and Spencer by £25m to £620m, for Burton by £20m to £50m, and for Kingfisher to £220m from £240m. Marks finished a penny easier at 234p, Burton shed 2 to 86p and Kingfisher lost a penny to 234p.

Scottish & Newcastle encountered profit-taking and vague talk that the company might be about to make an acquisition. The shares retreated 7 to 380p.

Vaux benefited from further consideration of the £5.1m sale of its holding in Tyne Tees Television to Yorkshire Television. The shares added 2 at 216p, after 218p. Tyne Tees eased a penny to 284p, while Yorkshire ended unchanged at 244p.

A one-for-three rights issue at 136p a share, raising £10.35m for Community Hospital, left the shares 10 off at 162p. Turnover was high at 79,000, done in four trades.

■ Other Market statistics, including the FT-Actuaries share index, Page 20

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	314	104	-2	Courtaulds	1,500	356	-5	MEPC	672	521	-13	Smith (W.H.) A	1,400	324	-3
ASDA Group	2,900	129	+1	Dalgety	938	375	-3	Manpower	24	69		Smith & Nephew	3,400	101	
Abbey National	3,200	249	-3	Cxrons	431	165		Manweb	620	193	-3½	SmKl Beecham	1,100	677	-1
Albert Fisher	858	120		ECC Group	68	390	-4	Marks & Spencer	4,700	234	-1	SmKl Beecham Uts.	185	2938	-5
Allied-Lyons	3,500	510	+1½	Eastern Elect.	1,100	168	-1½	Maxwell Comms.	770	149	-1	Smiths Inds.	624	249	-3
Amstrad	7,400	70		East Midland Elect.	974	183	-3	Midland Bank	1,800	170	-4	Southern Elect.	1,300	174	-3½
Anglian Water	393	290	-1	Enterprise Oil	580	537	+4	Midlands Elect.	992	178	-3	South Wales Elect.	125	197	-5
Argos	317	272	-2	Eurotunnel Units	280	463	-15	NatWest Bank	2,500	297	+1½	South West Water	436	300	
Argyll Group	1,500	255	-2	FKI	435	46	-2	Next	6,500	27¼	+2½	South West. Elect.	232	177	-4
Ass. Brit. Foods	17	483	-2	Ferranti	2,400	10		North West Water	1,000	302	+2	Southern Water	481	298	+3
BAA	2,300	384	-8	Fisons	7,500	421		Northern Elect.	530	185	-3	Standard Chartd.	443	271	+8
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	6,600	233½	-3	IMI	763	235	-3	Reuters	718	785	-7	Unilever	1,200	736	-2
British Land	3,100	294	-9	ICI	959	1013	-15	Rolls Royce	3,800	152	-3	United Biscuits	639	364	-1
BP	6,900	319	+1	Inchcape	1,100	277	+4	Rothmans	540	780	-3	Utd. Newspapers	408	336	-5
British Steel	7,300	127½	-½	Kingfisher	2,600	397	-1	Ryl Bk Scotland	1,100	182	-1	Water Package Uts.	0	£2963	+18
British Telecom	3,800	300	-1	Ladbroke	4,300	258	-8	Royal Insurance	1,700	418	-1	Wellcome	335	503	-2
Bunzl	105	78	-1	Land Securities	1,900	539	-11	Saatchi	1,200	27	+1	Welsh Water	746	316	+6
Burmah Castrol	1,600	560	+2	Laporte	81	545	-7	Sainsbury	1,300	328	-1	Wessex Water	678	347	+4
Burton	1,900	86	-2	Legal & General	856	410	+2	Scottish & New	1,100	380	-7	Whitbread 'A'	3,400	469	+3
Cable & Wire	1,200	509	-6	Lloyds Abbey	3,600	377	+4	Sears	3,200	92	-1	Wiggins Teape	2,800	207	-5
Cadburys	1,800	360		Lloyds Bank	5,100	328	+3	Sedgwick	1,800	250	-9	Williams Hldgs.	718	262	-1
Calor Group	30	230		LASMO	1,400	356	-2	Seeboard	357	175	-2½	Willis Corroon	713	280	-5
Carlton Comms.	379	387	-2	London Elect.	491	184	-5	Severn Trent Water	1,300	274	+4	Wimpey	951	187	-3
Coats Viyella	750	120	-4	Lonrho	4,800	216	+3	Shell Transport	8,800	464	-4	Yorkshire Elect.	1,200	192	-2½
Comm. Union	1,500	525	+10	Lucas	1,100	154	-2	Siebe	385	351	-2	Yorkshire Water	656	305	+8
Cookson	3,200	121		MB Caradon	3,200	182	-3	Slough Ests	83	244	-5				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (72).
BRITISH FUNDS (28) CORPORATION LOANS (1) AMERICANS (4) BANKS (3) BREWERS (3) BUILDINGS (3) CHEMICALS (1) STORES (4) ELECTRICALS (5) FOODS (4) INDUSTRIALS (6) Seepak, Diploma, Isotron, Kalamazoo, Kalon, Unichem, INSURANCE (1) LEISURE (1) PAPERS (2) TRUSTS (13) WATER (1).

NEW LOWS (34).
AMERICANS (3) BANKS (1) BUILDINGS (7) CHEMICALS (1) STORES (1) ELECTRICALS (1) ENGINEERING (1) INDUSTRIALS (4) Chillington Corp., Community Hospitals, Johnston Group, Tollgate, INSURANCE (1) LEISURE (1) MOTORS (1) TRANSPORT (1) TRUSTS (8) MINES (3).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Five to Fifteen Years

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Over Fifteen Years

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Undated

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]						

INT. BANK AND O'SEAS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

CORPORATION LOANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

COMMONWEALTH & AFRICAN LOANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

LOANS

Building Societies

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Public Board and Ind.

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

FOREIGN BONDS & RAILS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]						

AMERICANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

CANADIANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

APPOINTMENTS

Engineer joins BR board

■ Dr Peter Watson, a 47-year-old executive of GKN, engineering group, has been appointed a full-time member of the BRITISH RAILWAYS BOARD, where he will have special responsibility for advising on engineering issues, *writes Richard Tomkins, Transport Correspondent*. Dr Watson, whose doctorate is in civil engineering, spent five years working at BR's technical centre at Derby before moving to GKN in 1976, where he was initially involved in product development before moving to business development. He was latterly chief executive of GKN Axles and GKN Powder Metallurgy, two subdivisions of GKN Automotive.

■ Mr David Ogden is resigning from the end of this month as managing director of ERF LEASING, Crewe, due to relocation problems. The company is a joint venture of ERF and Capital Charter, and Mr Dilip Nathwani has been seconded by Capital Charter to handle the company's day-to-day operations.

■ THE SCOTTISH METROPOLITAN PROPERTY COMPANY has appointed Mr J. Scott Cairns as an executive director. He is chief estates surveyor.

■ NEILL TOOLS, Sheffield, has appointed Mr Michael Miller as UK sales director. He was national accounts controller with Crown Berger.

■ Mr Barry Moxley has joined HUTCHISON TELECOM as general manager. He was international business development manager with British Telecom Mobile.

■ Mr Tim Pascall has been appointed to the new post of group treasurer at DEL MONTE FOODS INTERNATIONAL. He will take over responsibility for the group's cash flow, interest rate and foreign exchange management from Mr Mark Brody, who continues as group financial controller. Mr Pascall was international treasurer, CMB Packaging.

■ Mr Tom Cohen has been appointed finance director of AMPEX EUROPE, Reading. He was finance director at 'The European' newspaper.

■ Mr John Pinckard becomes non-executive deputy chairman of BIMEC INDUSTRIES from April 1. He has been a non-executive director for two years.

■ Mr Roger W. Hawksworth has joined BRITISH AEROSPACE (MILITARY AIRCRAFT) in the new post of director of development and planning. He was managing director of Thames Water Enterprises.

■ Mr Simon Joshua has been appointed marketing director of ROLEX PAPER CO, part of the Jefferson Smurfit Group. He was factory manager.

■ Mr Hamdi Conger has been appointed managing director of the BBA GROUP's brakes division, which trades as AP Lockheed. Mr Brian Gaunt becomes managing director of the clutch division, which trades as AP Borg & Beck.

■ ASPEN BUSINESS COMMUNICATIONS has appointed Mr Chris Hoare as managing director, and Ms Sophy Robinson as deputy managing director.

■ Mr Peter W. Squire has joined the board of HERRING SON & DAW HOLDINGS.

■ Miss Jeanette Britton has been appointed company secretary and director of legal affairs at MERCURY PERSONAL COMMUNICATIONS. She was divisional secretary, communications systems division, British Telecom.

■ RENTOKIL GROUP has appointed Mr Nigel Howse as managing director, UK healthcare services division; Mr Ted Brown as managing director, UK tropical plants, water and ventilation, and medical services division; and Mr Geoff Whalley as managing director, UK pets control services division.

■ Mr Malcolm Norgate has been appointed to manage the abrasives, diamond products, and UK industrial businesses of the Foseco group, which was acquired by BURMAH CASTROL last December. The company says he will review the future of these businesses within Burmah Castrol. His previous work for the company was in connection with the disposal of Quinton Hazell in 1986.

Mr Cavan Taylor *(pictured)* has been appointed senior partner of LOVELL WHITE DURRANT, the City law firm, from May 1. He takes over from Mr Peter Gerrard who becomes general counsel at The International Stock Exchange. Mr Taylor has been with the firm, and previously with Durrant Piesse, since 1965.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9½	...	Q28%	2.1	8.8	5.3
303	121	ANZ SA1	137	–6	Q38c	1.9	11.3	4.7
267	172	Abbey National 10p	249	–3	5.7	4.3	3.1	10.1
*274	126	Allied Irish Ord.	157	–5	†Q40%	3.3	5.7	7.1
85	47	Anglo Irish	57	...	Q18.6%	2.3	7.3	7.5
93	43	Ansbacher (H.) 1p	44	+1	2.5	1.3	7.6	12.7
£71½	£32⅝	Bancaire Cie Fr100	£54½	–1½	Q12½%	–	2.4	–
£22½	£12¼	Banco Bilbao Viz.	£16	....	Q49.1%	2.7	5.1	7.3
£58	£21	Banco de Santander	£24½	...	Q28.7%	2.3	5.0	8.5
286	130	Bank Ireland I£1	169	–5	Q14.7%	2.9	7.8	5.9
£19½	£18	Bank Leumi	£19½	.	–	–	–	–
351	320	Bank Leumi (U.K.) £1	358	...	16.0	–	6.3	–
134	100	Bank Scotland	127	–1	†4.55	3.4	4.8	8.1
110	83¼	Do. 9¼pc Irrd Pf £1	104¼	....	9¼%	–	11.8	–
107¼	99½	Do. 9¾pc Irrd Pf £1	107¼	....	9¾%	–	12.1	–
54	39	Bank of Wales	39	.....	2.8	0.8	9.6	(18.7)
428	290	Barclays £1	386	+2	†h19.57	3.5	6.7	5.4
22	9	Benchmark 20p	9	....	0.75	–	11.1	–
335	195	Brown Shipley £1	220	......	‡12.0	2.2	♦	7.1
*448	285	Cater Allen £1	448	+6	F24.5	–	7.3	–
179	29	Chancery	36	......	‡9.0	2.7	♦	1.4
£23¼	£14	Commerzbk DM10	£18¼	–¼	Q18%	–	3.4	–
£13¼	620	Dai Ichi K Bk Y50	912	–7	Q17%	6.2	0.4	43.1
*£33	£29	Deutsche Bk DM50	£227	–3	Q28%	–	2.1	–
£20⅞	£14½	Espirito Santo	£16¼	....	Q75c	5.1	2.3	8.6
253	152	First Nat. Fin. 10p	183	+3	13.0	1.2	9.5	10.9
121	78	FNFC 6.5pc Cv Pf £1	95	+2	6.3%	–	8.8	–
£13¼	633	Fuji Bank Y50	991	+7	†Q17%	6.9	0.3	42.2
338	262	Gerrard & National	338	+8	19.0	–	7.5	–
154	67	Guinness Mahon 10p	67	–1	1.45	–	2.9	–
328	194	Hambros 20p	257	–1	†11.5	–	6.0	–
128	83	Do. 7.5pc Cv Pf £1	114	...	7½%	–	8.8	–
53½	29	HK & Shang HK$2.50	37½	+½	K039c	–	7.4	–
478	373	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	133	+3	10.25	–	10.3	–
422	249	Kleinwort Benson Grp	319	–4	16.9	2.5	6.7	7.6
642	316	Kyowa Bank Y50	454	–3	Q14%	♦	0.7	♦
336	220	Lloyds £1	328	–3	†13.3	2.6	5.4	7.7
56	44	Lon. Scot. Bank 10p	51	+1	2.75	1.7	7.2	9.5
404	150	Midland £1	170	–4	†18.0	2.6	14.1	3.5
£14½	£10	Mitsubishi Bank Y50	£10	..	†Q17%	♦	0.3	♦
£12¼	£4½	Mitsubishi Tst & Bk Y50	£6	–¼	Q17%	12.4	0.6	13.1
£10⅝	£4	Mitsui Taiyo Kobe Y50	£7¼	..	†Q16%	6.0	0.4	39.5
904	410	Mitsui Tst & Bk Y50	542	–25	Q17%	♦	0.6	♦
326	203	Nat. Aust. Bk A$1	246	–8	Q55c	1.5	9.1	7.3
368	227	NatWest £1	297	+1½	†16.7	3.3	7.5	5.4
£210	£100	Ottoman Bank	£105	.....	Q110%	2.8	10.5	3.4
55	24	Rea Bros. Group	26	...	0.5	3.2	2.6	13.0
227	119	Royal Bk. Scotland	182	–1	8.4	2.5	6.2	9.2
795	338	Saitama Bank Y50	453	–10	†Q14%	♦	0.6	♦
£12¼	567	Sanwa Bank Y50	980	–12	Q17%	6.7	0.4	39.5
902½	613	Schroders £1	743	+13	†12.5	5.9	2.2	10.0
712½	413	Do. £1 N/V	528	+10	h12.5	5.9	3.2	7.1
£25¼	£9¼	Sec. Pacific $10	£12¼	–⅛	Q52.52	–	10.3	–
616	205	Standard Chartd. £1	271	+8	35.0	1.4	17.2	(5.1)
£16¼	£5⅜	Sumitomo Bank Y50	£9	–⅛	†Q16%	7.5	0.3	38.2
£11	£4	Sumitomo Tst & Bk Y50	£6	–¼	Q17%	6.9	0.5	27.9
153	114	TSB	149xd	...	6.4	2.1	5.7	11.1
175	112	TSB Bank Ch Isl Is'l	133	+2	408.0	3.6	6.0	5.4
£46⅜	£4¼	Tokai Bank Y50	£6	..	Q16%	4.1	0.5	49.1
920	494	Toyo Tst & Bk Y50	706	–7	†Q15.2%	6.9	0.4	33.7
611	499	Union Discount £1	566xd	+9	35.0	♦	8.2	♦
575	284	Warburg (S.G.)	408	...	15.0	3.0	5.0	9.0
160	96	Do. 6pc Cnv Prf £1	137	+1	6%	–	5.2	–
279	128	Westpac $A1	161	–4	Q52.5c	1.2	13.5	6.2
420	286	Wintrust 20p	315xd	...	†8.7	4.3	3.7	9.4
969	509	Yasuda Tst & Bk Y50	643	–22	Q17%	5.9	0.5	32.2

Hire Purchase, Leasing, etc.

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50	...	†Q12.5%	3.2	♦	2.5
71	40	Cambridge Grp Ir5p	45	–1	†Q7½%	15.6	0.7	10.9
55	11	Capital Leasing Ir10p	37	....	†Q21%	3.5	3.2	9.1
*64	46	Cattle's (Hdgs) 10p	64	+1	K3.8	1.9	7.9	9.5
449	362	Prov. Financial	449	+24	23.5	♦	7.2	♦
*232	119	Reflex Invs. Ir5p	124	......	†Q51%	7.5	1.9	9.1
225	192	Secure Trust Grp. 1p	213	+13	†9.5	2.8	5.9	9.0
213	135	Woodchester IR20p	175	+2	†Q16.7%	5.9	1.7	13.0

BEERS, WINES & SPIRITS

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
524	408	Allied-Lyons	510	+1½	†16.95	2.3	4.4	11.0
£26½	£18	Anheuser-Busch $1	£24	–½	Q51.00	–	2.1	–
1128	895	Bass	985	–3	32.4	2.5	4.4	10.1
170	124	Boddington	151	....	15.1	2.3	4.5	12.7
206	151	Bulmer (H.P.) 5p	189	......	†7.65	1.7	5.4	12.7
227	105	Burtonwood Brewery	108	.	3.98	3.1	4.9	7.6
400	290	Clark (Matthew)	395	+1	13.5	3.0	4.6	9.5
286	115	Devenish (J.A.) 5p	159	+1	5.3	2.5	4.4	12.2
225	85	Do 4.5pc Cv 2ndPf £1	112xd	+2	4½%	–	5.4	–
167	95	Eldridge Pope "A" 50p	104	......	4.1	–	5.3	–
115	46	Fosters Brewing A$1	59	..	Q8½c	0.7	5.9	24.8
430	335	Fuller, S.T.A. 'A'	363	..	‡5.5	4.3	2.0	15.2
743	514	Grand Metrop. 50p	714	–18	20.4	2.5	3.8	12.2
369	274	Greenall Whitley	326	+1	10.0	2.8	4.1	10.9

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
63	35	♥Central Pacific	36	...	–	–	–
7½	2½	♥Croesus Mining N L.	3	..	–	–	–
34	16	♥Delta Gold 25c	19	–2	–	–	–
104	27	♥Dominion Mining.	31	–1	Q4c	♦	5.5
13	11	Doral Resources..	13	+1	Q1c	–	3.1
8	1½	♥Dragon Mining.	1½	....	–	–	–
88¾	30	♥Elders Resources	41½	..	‡Q16.8c	2.8	16.5
164	20	♥Emperor Mines	23	.....	–	–	–
3	1½	♥Endeavour 20c	2	..	–	–	–
62	19½	♥GM Kalgoorlie 5c	20	..	–	–	–
86	30	♥Gwalia Cons 20c.	31	–2	Q8c	1.6	10.5
78	21	[illegible]	30	..	–	–	–
6½	1½	♥Jason Mining 20c	1½	..	–	–	–
6	0½	♥Julia Mines NL.	0¾	..	–	–	–
175	69	♥Kidston Gld Min 20cts	79	–2	Q38c	♦	23.0
136	40	♥Meekatharra 25c	53	–1	–	–	–
125	9	♥Metana Minerals N L	11	+1	–	–	–
119	56	♥MIM Hldgs 50c	60xd	–5	‡Q10c	2.0	‡
36½	2	[illegible] 50c	3	..	–	–	–
6	1	♥Mount Burgess 20c.	1½	.....	–	–	–
129	38	♥Normandy Res NL	41	..	–	–	–
145	69	♥Nth Bkn Hill Peko 50c	75	–4	Q11c	6.5	6.2
20¾	7	♥New Sabina Res C$1	9	–1	–	–	–
457	52	Northgate Expl. C$1	58	...	–	–	–
36	12	North West Expl	12	.....	–	–	–
39¾	2	♥Nor-Quest Res	8	.	–	–	–
255	90	Oryx Gold Hldgs	194	...	–	–	–
57	11	‡Ovoca Gold IR 2p	13	...	–	–	–
93	42	Plateau Mining 20p	42	...	–	–	–
605	392	RTZ 10p	506	+5	†18.5	2.5	4.9
14	4⅞	♥Thorco Res. Inc ‖	6	–1	–	–	–
18	5	Vizcaya Hldgs 5p	8	....	–	–	–
178	130	‡Young Group 10p	131	...	†7.8	2.7	7.9

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ✠ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	675	...
Finlay Pkg. 5p β	33	...
Holt (Jos) 25p β	1388	...

IRISH

Cap 8½% Ln 1991	£99½	...
9pc Cap Ln 1996	£97¾	...
Fin. 13% 97/02	£114	...
Arnotts	160	...
Carrol (P.J.)	154	...
Helton Hldgs. γ	40xd	–3
IRG	125	–7
United Drug	135	...

TRADITIONAL OPTIONS
3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petlm	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	116.68	117.48	124.97	+0.42	0.41
Do Accum	6	127.55	128.42	136.61	-0.46	0.41
TSB Brit Growth	5	68.33	69.39	73.81	-0.44	3.62
Do Accum	6	75.54	76.71	81.6	-0.49	3.62
TSB European	6	70.06	70.38xd	74.87	-0.09	1.15
Do Accum	6	72.6	72.94xd	77.59	-0.09	1.15
TSB Extra Income	6	148.47	150.13xd	159.71	-0.18	5.62
Do Accum	6	214.12	216.52xd	230.34	-0.25	5.62
TSB Smaller Cos	6	39.1	40.67	43.26	+0.18	3.14
Do Accum	6	40.99	42.64	45.36	-0.19	3.14
TSB General	6	208.06	208.06xd	221.34	-1.41	3.98
Do Accum	6	388.21	388.21xd	412.98	-2.64	3.98
TSB Premier Income	5	43.29	43.92xd	45.74	-0.02	8.91
Do Accum	5	77.48	78.59xd	81.86	-0.04	8.91
TSB Income	6	280.39	285.59	303.81	-1.22	5.37
Do Accum	6	521.24	530.9	564.78	-2.27	5.37
TSB Pacific	6	206.08	207.85	221.11	-0.68	0.34
Do Accum	6	214.43	216.26	230.06	-0.71	0.34
TSB International	6	358.28	358.28	381.14	-1.33	1.13
Do Accum	6	459.56	459.56	488.89	-1.71	1.13
TSB Nat Resources	6	54.73	55.27	58.79	-0.5	1.25
Do Accum	6	59.37	59.96	63.78	-0.5	1.25
TSB Spcld Opps	6	72.91	73.73	78.43	-0.22	3.85
Do Accum	6	87.02	88.0	93.61	-0.25	3.65
Environmental Inv	6	43.07	43.07xd	45.81	-0.11	2.48
Do Accum	6	44.43	44.43xd	47.26	-0.12	2.48
TSB Selector	6	44.73	45.46	48.36	-0.16	4.35
Do Accum	6	46.09	46.85	49.83	-0.17	4.35
TSB High Income	6	48.14	48.96	52.08	-0.17	6.05
Do Accum	6	49.42	50.27	53.47	-0.17	6.05
TSB Intl Income	6	49.06	49.36	52.51	-0.14	6.76
Do Accum	6	49.06	49.36	52.51	-0.14	6.76
TSB Selector Income	6	47.92	48.5	51.59	-0.12	6.4
Do Accum	6	47.92	48.5	51.59	-0.12	6.4

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks
Admin: 0296 394000 Dealing 0296 312156

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	67.81	67.81	72.27	-0.07	1.28
Australia	5	5.248	5.248xd	5.621	-0.08	4.74
Equity	5	151.5	151.5	162.5	-0.5	4.93
Euro Spec Sits	5	102.4	102.4	110.3	-0.4	0.63
Financial	5	27.00	27.12	29.16	-0.05	5.12
Global Opps Inc	5	60.32	60.32	64.84	-0.21	1.64
Global Opps Acc	5	61.63	61.63	66.24	-0.22	1.64
Gold & Gen Inc	5	33.29	33.29	35.81	-0.11	1.54
Gold & Gen Acc	5	62.23	62.23	66.94	-0.32	1.54
Income	5	96.69	96.69	103.9	-0.3	6.32
Japan & General	5	125.9	125.9	135.3	-0.7	0.00
Preference Share	5	18.34	18.60xd	20.01	+0.09	12.26
UK Capital	5	80.60	80.60xd	86.56	-0.46	4.04
World Income	5	60.55	60.55xd	65.16	-0.13	5.40
Worldwide Capital	5	156.3	156.3xd	167.9	-1.1	3.26

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	101.6	101.6xd	+0.2	10.63
(Accum Units)	553.0	553.0	+0.7	10.63
NAACIF Feb 5	–	41.3xd	+0.8	9.69

MIM Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1053.0	1136.0	–	–
Mngd Pens (Acc)	62.40	66.50	–	–

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity 1 Feb 19	121.2	129.9		3.01
UK Small Co 1 Feb 19	440.9	477.9		2.23
Fixed Interest 1 Feb 19	105.8	111.3		7.98
US Small Co Feb 19	124.4	132.9	–	0.00
Managed Feb 19	101.1	107.6	–	1.35
Intl Bond Feb 19	111.9	118.0	–	7.75
Japan Feb 19	70.00	74.87	–	0.91
European Feb 19	82.91	88.70	–	1.66
Nth American Feb 19	91.16	97.85	–	1.44

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Feb 20	43.97	45.73xd	+0.34	3.42
Euro Expt Feb 20	48.25	50.67xd	+1.95	2.32
Fixed Int Ex Feb 20	46.71	47.87	+0.49	10.30
Japan Expt Feb 20	44.39	46.16	+1.82	0.56
Managed Ex Feb 7	40.08	41.68		4.82
SE Asia Expt Feb 20	61.81	64.89	+2.57	4.56
Sm Cos Expt Feb 20	28.45	29.87	+1.22	5.30
UK Eqty Ex Feb 20	38.18	40.08xd	+1.55	4.13

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Feb 5	570.0	604.8xd	–	5.94
Do Accum	640.3	684.9	–	5.94
Int Expt Feb 13	155.5	158.2	–	3.21
UK Index Feb 5	1013	1030	–	5.85
Do Accum	1083	1101	–	5.85
Convertible Feb 15	86.61	89.36	–	8.36
World ex UK Index Feb 18	727.6	737.2	–	2.05
Do Accum	727.6	737.2	–	2.05
Japan Index Feb 18	591.2	599.4	–	0.50
Do Accum	592.7	600.8	–	0.50
USA Index Feb 18	848.0	853.9	–	3.46
Do Accum	868.9	874.8	–	3.46
European UK Index Feb 18	842.4	863.5	–	2.90
Do Accum	861.5	883.0	–	2.90
Pacific ex Jap Index Feb 18	788.3	811.4	–	5.04
Do Accum	817.7	841.5	–	5.04
Managed Exempt Feb 13	95.52	97.41	–	5.74
American Exempt Feb 13	113.4	115.3	–	3.86
European Exempt Feb 13	107.9	108.8	–	4.0
Japan Exempt Feb 13	102.6	104.7	–	0.2

Templeton Unit Trust Managers Ltd

Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1600)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs. Ltd. (1000)H

United Charities Unit Trusts (1600)H

Wardley Unit Tst Mngrs Ltd (1300)F

Waverley Unit Tst Mngt Ltd (1000)F

Wesleyan Asset Management (1230)F

Whittingdale Unit Tst Mngmt Ltd

Willbro Financial Services Ltd (0905)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Trust Mngrs Ltd (1100)F

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acorn Life Assurance Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc – Contd.

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co Ltd

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance Co Ltd

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange – Contd.

Hearts of Oak Insurance Group

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Soc

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Assicurazioni GENERALI SpA

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd – Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Co Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	97 8	102 9	-0 4	-
Pension Managed Fd	93 7	98.7	-0 3	-
Life Deposit Fd	104 6	110 1	.	-
Pension Deposit Fd.	108 7	114 4	.	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	103.2	112 8	-0 1	-
Managed Growth	125 9	137.6	+0 4	-
Managed Opportunity	122 1	134 2	+0 5	-
NFMC Target Financial	93 7	100 8	-0.1	-
Pension Funds				
Managed Cautionary	111 7	122 1		-
Managed Growth	131 8	144 9	+0 4	-
Managed Opportunity	124 8	136 4	+0 5	-
NFMC Target Mngd Pen.	1389 2	1510	-6.8	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	150 7	158 7	+4.0	-
UK Equity	156 4	164.5	+4 2	-
Overseas Equity	124 6	131 2	+5.4	-
Fixed Interest	143 1	150.7	+1 8	-
Property	130 7	137 6	+0 1	-
Index Linked	145 4	153 1	+1.9	-
Deposit	150 9	158 9	+0 4	-
With Profits (8)	126 3	133.0	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	327 2	344 5	(z)	-
UK Equity	410 8	432 5	(z)	-
Overseas Eq	313.2	329 7	(z)	-
American	243 6	256.5	(z)	-
Far East	329 7	347 1	(z)	-
Property	194.1	204 4	(z)	-
Fixed Int.	255 1	268 6	(z)	-
Indexed Gilt.	151 2	159.5	(z)	-
Deposit	176.8	186 2	(z)	-

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Yen Fd OPUPs	55.96	6.01	.....	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst.	$12.14	12.82	+0.22	0.94
Japanese Warrants	$8.05	8.53	+0.85	-
Asian Warrants	$8.80	9.32	+0.23	-
European Warrants	$5.67	6.01	+0.08	-
Managed	HK$9.94	10.60	-0.01	-
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd.	$13.47	14.15	+0.04	-
Wells Fargo U.S. IT Fund				
NAV Feb 19		$10.59	-0.01	-
Xiphias International Investment Fd Ltd				
Xiphias Int. USD		$1.0309	.....	-
Xiphias Int. ECU		Ecu0.9716	.....	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. y Previous day's price. §§ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm but below best

The dollar fell back after failing to break through technical resistance levels of DM1.5005 and Y131.90 against the D-Mark and the Japanese yen. There was profit taking after the US currency continued its recent advance, and although the dollar then drifted lower it finished higher on the day at the London close.

The Gulf war tended to fade into the background, as the market viewed the present situation as favourable for the dollar, irrespective of whether there is a peaceful settlement or a continuation of the conflict.

Peace would ease pressure on the US economy, but the move to a ground war would increase uncertainly and is also regarded as supportive of the US currency.

Attention turned yesterday towards economic factors, including a larger than expected rise of 0.4 per cent in January US consumer prices. This took the annual rate of inflation down to 5.7 from 6.1 per cent, but was not as low as expected. The market had been looking for an annualised figure of 5.3 per cent, and there was also concern that prices, excluding food and energy, rose 0.8 per cent in January, compared with expectations of an unchanged 0.4 per cent increase.

Reaction to the figures was that core inflation remains uncomfortably strong in the US, raising doubts about the prospects for lower interest rates, despite the recession.

On the other hand Mr Alan Greenspan, chairman of the Federal Reserve Board, told a congressional committee that inflation in 1991 is likely to be at its best level for several years.

He said that the recession should be shorter and shallower than most post-war downturns and that the reduction in price pressures had given the Fed scope to move aggressively to counter the recession without fanning inflation. At the same time, Mr Greenspan warned that the dollar has shown unwelcome weakening tendencies recently.

The latest news on US inflation and Mr Greenspan's comments left the dollar slightly firmer overall. It rose to DM1.4970 from DM1.4925; to Y131.75 from Y131.50; and to SFr1.2805 from SFr1.2800, but fell to FFr5.0800 from FFr5.0825. On Bank of England figures the dollar's index rose to 60.7 from 60.5.

Sterling was little changed in general, weakening against the dollar, but improving against the D-Mark as the Bank of England indicated that an early cut in UK bank base rates will be resisted. The pound fell 45 points to $1.9475, but rose to DM2.9150 from DM2.9125. Sterling declined to FFr9.8925 from FFr9.9200; to SFr2.4925 from SFr2.4975; and to Y256.50 from Y256.75. Its index was unchanged at 94.2.

Within the European Monetary System the pound remained slightly above the weakest placed French franc.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 20	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.637	-4.49	5.91	78
Belgian Franc	42.4032	42.1918	-0.50	1.66	32
D-Mark	2.05586	2.04991	-0.29	1.45	29
Dutch Guilder	2.31643	2.31005	-0.28	1.44	21
Italian Lira	1538.24	1537.06	-0.08	1.23	12
Irish Punt	0.767417	0.770299	0.38	0.78	-10
Danish Krone	7.84195	7.88318	0.53	0.63	-17
Sterling	0.696904	0.703462	0.94	0.21	-19
French Franc	6.89509	6.97482	1.16	0.00	-55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

£ IN NEW YORK

Feb.20	Latest	Previous Close
£ Spot	1.9470-1.9480	1.9500-1.9510
1 month	1.03-1.02pm	1.05-1.04pm
3 months	2.92-2.89pm	2.96-2.94pm
12 months	8.75-8.65pm	8.82-8.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.20	Previous
8.30 am	94.2	94.2
9.00 am	94.2	94.2
10.00 am	94.2	94.2
11.00 am	94.1	94.1
Noon	94.1	94.1
1.00 pm	94.1	94.1
2.00 pm	94.1	94.1
3.00 pm	94.1	94.1
4.00 pm	94.2	94.2

POUND SPOT - FORWARD AGAINST THE POUND

Feb 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9450 - 1.9570	1.9470 - 1.9480	1.02-1.00cpm	6.22	2.88-2.85pm	5.88
Canada	2.2440 - 2.2570	2.2480 - 2.2490	0.53-0.46cpm	2.64	1.52-1.38pm	2.58
Netherlands	3.2780 - 3.2900	3.2800 - 3.2900	1¼-1cpm	4.11	3¼-2⅞pm	3.65
Belgium	59.70 - 60.10	59.85 - 59.95	21-17cpm	3.81	55-49pm	3.47
Denmark	11.1740 - 11.2225	11.2025 - 11.2125	2⅝-2½orepm	2.88	7¾-6⅞pm	2.61
Ireland	1.0915 - 1.1065	1.0956 - 1.0965	0.26-0.18ppm	2.41	0.63-0.43pm	1.93
Germany	2.9060 - 2.9175	2.9125 - 2.9175	1-⅞pfpm	3.86	2¾-2½pm	3.60
Portugal	253.95 - 255.85	254.80 - 255.80	1-22cdis	-0.54	103-145dis	-1.94
Spain	180.75 - 181.55	180.80 - 181.20	15-23cdis	-1.26	63-74dis	-1.51
Italy	2178.95 - 2185.50	2184.50 - 2185.50	2-1lirepm	0.82	3-1pm	0.37
Norway	11.3635 - 11.4075	11.3775 - 11.3875	2⅝-2¼orepm	2.57	6-5¼pm	2.00
France	9.8875 - 9.9150	9.8875 - 9.8975	3¼-2⅞cpm	3.64	8-7¼pm	3.18
Sweden	10.8500 - 10.8810	10.8525 - 10.8625	1¼-¾orepm	1.04	1½-1pm	0.46
Japan	256.00 - 257.00	256.00 - 257.00	1¼-1ypm	4.97	3¼-2⅞pm	4.68
Austria	20.43 - 20.52	20.48 - 20.51	7-5¾gropm	3.73	19¼-16¾pm	3.48
Switzerland	2.4875 - 2.4975	2.4875 - 2.4975	1¼-⅞cpm	4.81	3-2⅞pm	4.71
Ecu	1.4145 - 1.4170	1.4150 - 1.4160	0.44-0.38cpm	3.48	1.14-1.07pm	3.12

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.23-5.18cpm. 12 Month 8.65-8.55pm

CURRENCY MOVEMENTS

Feb 20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.2	-18.3
U S Dollar	60.7	-18.5
Canadian Dollar	102.1	+0.4
Austrian Schilling	110.5	+12.4
Belgian Franc	112.6	-1.3
Danish Krone	110.9	+5.2
D-Mark	120.4	+26.2
Swiss Franc	114.4	+22.5
Dutch Guilder	115.6	+17.0
French Franc	104.6	-12.0
Lira	100.5	-19.0
Yen	132.7	+67.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb 19.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9450 - 1.9570	1.9470 - 1.9480	1.02-1.00cpm	6.22	2.88-2.85pm	5.88
Ireland†	1.7760 - 1.7890	1.7805 - 1.7815	0.63-0.58cpm	4.08	1.90-1.80pm	4.15
Canada	1.1520 - 1.1540	1.1530 - 1.1540	0.33-0.36cdis	-3.59	0.94-0.99dis	-3.35
Netherlands	1.6755 - 1.6880	1.6865 - 1.6875	0.31-0.33cdis	-2.28	0.94-0.98dis	-2.28
Belgium	30.60 - 30.80	30.70 - 30.80	6.00-8.00cdis	-2.73	18.00-22.00dis	-2.60
Denmark	5.7230 - 5.7390	5.7525 - 5.7575	1.50-1.80oredis	-3.44	4.50-5.10dis	-3.34
Germany	1.4805 - 1.5000	1.4965 - 1.4975	0.28-0.30cdis	-2.32	0.85-0.88dis	-2.31
Portugal	130.45 - 131.00	130.85 - 130.95	70-80cdis	-6.88	250-270dis	-7.94
Spain	92.65 - 93.20	93.05 - 93.15	57-60cdis	-7.54	170-178dis	-7.48
Italy	1115.50 - 1122.75	1121.75 - 1122.75	4.90-5.40liredis	-5.51	15.00-16.00dis	-5.52
Norway	5.8165 - 5.8525	5.8425 - 5.8475	1.65-2.00oredis	-3.75	5.60-6.10dis	-4.00
France	5.0620 - 5.0955	5.0775 - 5.0825	1.13-1.18cdis	-2.73	3.50-3.58dis	-2.79
Sweden	5.5570 - 5.5820	5.5725 - 5.5775	2.25-2.65oredis	-5.27	7.25-7.95dis	-5.45
Japan	130.90 - 131.85	131.70 - 131.80	0.13-0.15ydis	-1.28	0.38-0.42dis	-1.21
Austria	10.4605 - 10.5300	10.5250 - 10.5300	2.10-2.50grodis	-2.62	6.00-7.10dis	-2.49
Switzerland	1.2710 - 1.2810	1.2800 - 1.2810	0.12-0.15cdis	-1.27	0.38-0.43dis	-1.27
Ecu	1.3740 - 1.3845	1.3755 - 1.3765	0.33-0.31cpm	2.79	0.99-0.93pm	2.79

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

Feb 20	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.735365	0.703462
U S Dollar	6.00	1.43433	1.37421
Canadian $	10.26	1.65507	1.58543
Austrian Sch	7	15.0490	14.4114
Belgian Franc	10.50	44.0017	42.1918
Danish Krone	9½	8.22732	7.88318
D-Mark	6.50	2.13887	2.04991
Dutch Guilder	7.75	2.40881	2.31005
French Franc	10¼	7.27994	6.97482
Italian Lira	12½	1605.55	1537.06
Japanese Yen	6	186.965	180.434
Norway Krone	8	8.35928	8.01166
Spanish Peseta	-	133.353	127.637
Swedish Krona	11	7.97631	7.64956
Swiss Franc	6.00	1.83451	1.75143
Greek Drach	19	N/A	219.476
Irish Punt	-	N/A	0.770299

† European Commission Calculations.
* All SDR rates are for Feb.19

EURO-CURRENCY INTEREST RATES

Feb 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅝ - 13⅜	13⅜ - 13¼	13¼ - 13⅛	12⅞ - 12¾	12⅝ - 12½	11⅞ - 11¾
US Dollar	7¼ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6¾ - 6⅝	6⅝ - 6½	6⅝ - 6½
Can. Dollar	10 - 9¾	10¼ - 9⅞	10⅛ - 10	9⅞ - 9¾	9⅝ - 9½	9⅜ - 9¼
Dutch Guilder	9 - 8½	9 - 8½	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞
Swiss Franc	8¼ - 7¾	8 - 7¾	8 - 7¾	8 - 7⅞	7⅞ - 7¾	7¾ - 7⅝
D-Mark	8¾ - 8½	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9 - 8⅞	9 - 8⅞
French Franc	9¾ - 9¼	9⅝ - 9½	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	13 - 12	12¾ - 11¾	12½ - 12	12¼ - 11¾	12⅛ - 11⅞	12¼ - 12
Belgian Franc	9¾ - 9½	9¾ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	8¼ - 8⅛	8¼ - 8⅛	8⅛ - 8	8⅛ - 7⅞	7⅞ - 7¾	7⅞ - 7¾
Danish Krone	10 - 9¾	10 - 9¾	10⅛ - 10	10⅛ - 10	10⅛ - 10	10¼ - 10⅛
Asian $Sing	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾

Long term Eurodollars: two years 7½-7⅜ per cent; three years 7⅞-7¾ per cent; four years 8⅛-8 per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Feb 20	£	$
Argentina	18171.9 - 18254.4	9340.00 - 9380.00
Australia	2.4715 - 2.4735	1.2690 - 1.2700
Brazil	428.805 - 429.500	220.400 - 220.700
Finland	7.0280 - 7.0515	3.6230 - 3.6260
Greece	308.450 - 313.400	157.950 - 160.510
Hong Kong	15.1525 - 15.1665	7.7900 - 7.7920
Iran	124.40	62.50
Korea(Sth)	1398.30 - 1420.85	719.40 - 725.00
Kuwait	N/A	N/A
Luxembourg	59.85 - 59.95	30.70 - 30.80
Malaysia	5.2515 - 5.2605	2.6955 - 2.6975
Mexico	5776.00 - 5779.45	2968.00 - 2978.00
N.Zealand	3.2440 - 3.2490	1.6660 - 1.6690
Saudi Ar.	7.3145 - 7.3555	3.7490 - 3.7510
Singapore	3.3525 - 3.3605	1.7190 - 1.7210
S.Af (Cm)	4.9505 - 4.9630	2.5440 - 2.5470
S.Af (Fn)	6.3240 - 6.4295	3.2465 - 3.3005
Taiwan	52.70 - 52.80	27.10 - 27.15
U.A.E.	7.1640 - 7.2045	3.6720 - 3.6740

* Selling rate

EXCHANGE CROSS RATES

Feb.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.948	2.915	256.5	9.893	2.493	3.285	2185	2.249	59.90
$	0.513	1	1.496	131.7	5.079	1.280	1.686	1122	1.155	30.75
DM	0.343	0.668	1	87.99	3.394	0.855	1.127	749.6	0.772	20.55
YEN	3.899	7.595	11.36	1000.	38.57	9.719	12.81	8519	8.768	233.5
F Fr	1.011	1.969	2.947	259.3	10.	2.520	3.321	2209	2.273	60.55
S Fr	0.401	0.781	1.169	102.9	3.968	1	1.318	876.5	0.902	24.03
H Fl.	0.304	0.593	0.887	78.08	3.012	0.759	1	665.1	0.685	18.23
Lira	0.458	0.892	1.334	117.4	4.528	1.141	1.503	1000.	1.029	27.41
C $	0.445	0.866	1.296	114.1	4.399	1.108	1.461	971.5	1	26.63
B Fr.	1.669	3.252	4.866	428.2	16.52	4.162	5.484	3648	3.755	100.

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Bank sends warning

THREE-MONTH sterling interbank hovered around 13 per cent yesterday, after the Bank of England sent a warning to the money market against an early cut in UK bank base rates.

Three-month money traded at 12$\frac{15}{16}$-12⅞ per cent ahead of UK money supply and bank lending data, before lower than expected lending was followed by a warning from the authorities on interest rates by offering funds to the market at the existing base rate of 13½ per cent. Wholesale rates then firmed slightly with three-month money finishing at 13-12⅞ per cent against 13$\frac{1}{16}$-12$\frac{15}{16}$ on Tuesday.

UK clearing bank base lending rate 13.5 per cent from February 13, 1991

There was a larger than expected rise in M0 money supply in January, but M4 bank and building society lending of £3.1bn, against £2.4bn in December, was lower than forecast.

Prices of short sterling futures rose on Liffe. March delivery opened at 87.39 and touched 87.44, before closing at 87.39 against 87.34 previously.

Day-to-day credit was in short supply on the cash market and the Bank of England offered an early round of assistance. Credit conditions have been tight so far this month and the Bank of England has offered early help every trading day since February 6.

Yesterday's shortage was initially forecast at £1,050m, but was revised to £1,000m at noon and to £700m in the afternoon. Total help of £634m was provided.

In early operations the authorities bought £2m bank bills outright in band 2 at 13¼ per cent. Before lunch another £12m bank bills were purchased in band 2 at 13¼ per cent, and the discount houses were invited to use their borrowing facilities. In the afternoon the Bank of England lent £620m to the market for seven days at 13½ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £433m, with exchequer transactions absorbing £505m, a rise in the note circulation £80m and bank balances below target £10m.

In Frankfurt call money eased to 8.70 from 8.75 per cent, despite action by the Bundesbank to drain a net DM2.8bn at this week's securities repurchase agreement tender. The central bank accepted bids of DM13.3bn for 35-day funds at a fixed rate of 8.5 per cent, compared with an expiring 28-day facility of DM16.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.20) 3 months US dollars		6 months US Dollars	
bid 6⅝	offer 6¾	bid 6⅝	offer 6¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9
Broker loan rate	8½
Fed.funds	7
Fed.funds at intervention	7

Treasury Bills and Bonds

One month	-	Three year	7.07
Two month	-	Four year	7.26
Three month	6.10	Five year	7.44
Six month	6.18	Seven year	7.70
One year	6.27	10-year	7.82
Two year	6.86	30-year	8.00

Feb.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.75	8.70-8.85	8.75-8.90	8.80-8.95	8.85-9.00	9.00
Paris	9⅜-9½	9⅜-9½	9¼-9½	9¼-9⅜	9½-9⅝	9.25
Zurich	7⅜-7⅝	7¾-8	-	7⅝-7⅞	-	-
Amsterdam	8.75-8.88	8.85-8.95	-	8.90-8.98	-	-
Tokyo	8¼-8⅜	8¼-8⅜	-	7⅞-7$\frac{15}{16}$	-	-
Milan	12¾-13¼	13½-13¾	-	13⅝-13¾	-	-
Brussels	-	9¼-9⅜	-	9¼-9⅜	-	-
Dublin	11⅛-11¼	11$\frac{5}{16}$-11$\frac{7}{16}$	11$\frac{5}{16}$-11$\frac{7}{16}$	11$\frac{5}{16}$-11$\frac{7}{16}$	11-11⅛	-

LONDON MONEY RATES

Feb 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	13⅝	13⅜	13	12½	12
Interbank Bid	13¼	13⅜	13¼	12⅞	12⅜	11¾
Sterling CDs	-	-	13⅜	12$\frac{15}{16}$	12⅜	11¾
Local Authority Deps.	13½	13½	13⅜	12⅞	12$\frac{7}{16}$	11$\frac{13}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13½	13½	13⅜	12¾	-	-
Company Deposits	-	-	13⅜	12$\frac{15}{16}$	12⅝	11⅞
Finance House Deposits	-	-	13⅜	13	12⅜	11$\frac{15}{16}$
Treasury Bills (Buy)	-	-	13⅛	12⅝	-	-
Bank Bills (Buy)	-	-	13⅜	12⅞	11$\frac{15}{16}$	-
Fine Trade Bills (Buy)	-	-	13$\frac{13}{16}$	12$\frac{13}{16}$	12⅞	-
Dollar CDs	-	-	6.50	6.58	6.58	6.80
SDR Linked Dep. Offer	-	-	8¼	8⅜	8¼	8¼
SDR Linked Dep. Bid	-	-	8⅛	8⅛	8⅛	8⅛
ECU Linked Dep. Offer	-	-	9⅝	9½	9½	9⅝
ECU Linked Dep. Bid	-	-	9$\frac{7}{16}$	9⅜	9⅜	9$\frac{7}{16}$

Treasury Bills (sell); one-month 12$\frac{15}{16}$ per cent; three months 12$\frac{5}{16}$ per cent; six months 11$\frac{7}{8}$ per cent; Bank Bills (sell): one-month 13$\frac{1}{16}$ per cent; three months 12$\frac{7}{8}$ per cent; Treasury Bills; Average tender rate of discount 12.1298 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1991. Agreed rates for period Feb 26, 1991 to Mar 25, 1991, Scheme I: 15.10 p.c., Schemes II & III: 15.26 p.c. Reference rate for period Jan 1, 1991 to Jan.31, 1991, Scheme IV&V: 14.012 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) Feb.19

	Open	Close	Change	High	Low	Yield	Open int.
March	90.40	90.40	+0.05	90.46	90.39	9.60	19,372
June	90.66	90.70	+0.08	90.74	90.66	9.30	13,532
September	90.85	90.86	+0.05	90.91	90.85	9.14	4,286
December	90.89	90.86	+0.01	90.90	90.86	9.14	1,352

Estimated volume 10,542 Total Open Interest 38,541

CAC-40 FUTURES (MATIF) Stock Index Feb.19

	Open	Close	Change	High	Low	Open Int.
February	1717.0	1719.0	-14.0	1737.0	1712.0	7,831
March	1727.0	1732.5	-15.0	1749.5	1726.0	2,795
April	1739.0	1739.0	+9.5	1739.0	1739.0	2
June	-	-	-	-	-	200

Estimated volume 10,425 Total Open Interest 10,828

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9475	1.9374	1.9189	1.8955	1.8615

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.9436	1.9452	1.9414	1.9392
Jun	1.9156	1.9184	1.9144	1.9118
Sep	-	1.8940	-	1.8902

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	13½	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc	16	Standard Chartered	13½
Bank Credit & Comm	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	13½
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	13½
Beneficial Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit Bk of Mid East	13½	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shanghai	13½		
Cl. Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm.Bk.of London Plc	13½	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

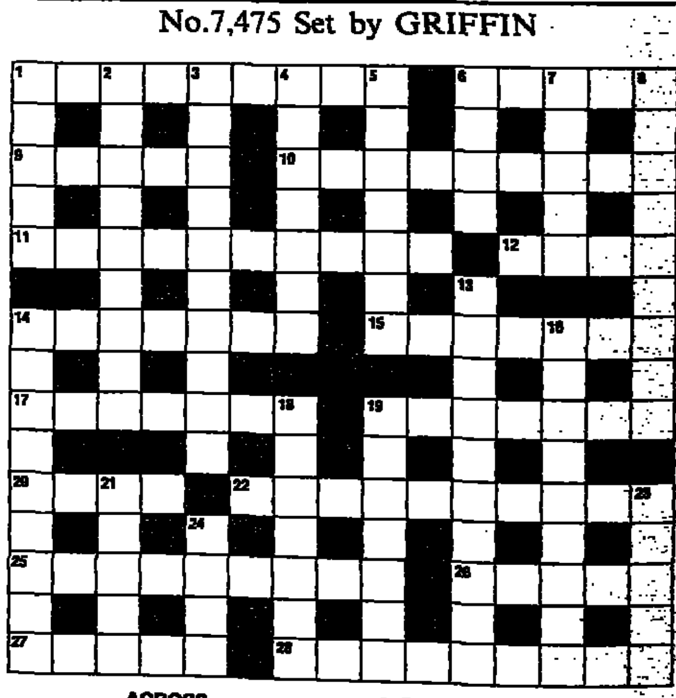
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,475 Set by GRIFFIN



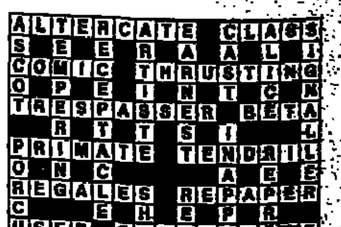
ACROSS

1 Obscure and stupid artist ate outside (9)
6 Plump for a cycle (5)
9 Where oak's a hybrid (5)
10 Puzzling call to retire carrying a Ming bust (9)
11 Illumination source for table left in view (10)
12 Cold boy gets dressed (4)
14 Nectar way inside plant (7)
15 Relative, 100, is outside town (7)
17 Climbing frames (7)
19 Cooking tin seen burning (7)
20 Enquire after model's job (4)
22 She runs a green revolution rally without (10)
25 Pasta pies that developed around Gateshead (9)
26 Fancy woman goes round home (5)
27 Newspaper group the man is in (5)
28 Reviving near winding trail (9)

DOWN

1 Distant man rings in (5)
2 Add one urn, terribly plain (9)
3 Black and red, his new building flourished (10)
4 Pleasantness of friendship when half accepted (7)
5 Descriptive term for stone man in SF film (7)
6 Something inclined to get one down? (4)
7 Before dropping key, aunt and I left (5)
8 Nice one lost after ten years' decay (9)
13 Only locks piers (10)
14 What a foul-mouthed speaker broadcasts? (9)
16 One in brown and green changed colour (9)
18 Race official treats models right (7)
19 Unfinished story in one man's language (7)
21 Rock show starts dead on (5)
23 Pleasant street, houses tiny (5)
24 Mum turned to go (4)

Solution to Puzzle No.7,474



WORLD STOCK MARKETS

AUSTRIA

February 20	Sch	+ or −
Austrian Airlines	2,820	−40
Creditanstalt	3,390	−30
EA General	4,610	−70
Jungbunzlauer	9,100	
Laenderbank	1,290	...
OeMV	9,350	−200
Perlmooser Zement	1,600	+25
Radex Heraklith	805	+9
Reininghaus Brue	1,851	−19
Steyr Daimler	364	+1
Veitscher Magnesit	715	−22
Verbund (Br) A	546	−14
Wienerberger	5,800	−70

BELGIUM/LUXEMBOURG

February 20	Frs.	+ or −
ACEC-Union Min	2,600	−85
Arbed	3,530	−10
BBL	2,580xd	−10
Bank Intl a Lux	12,510	....
Banq Gen Lux Pts	12,500	....
Barco	1,162	−30
Bekaert	7,990	−10
CBR Ciment	7,050	−100
Cobepa	5,380	−20
Cobepa AFV 1	5,240	−10
Cockerill Prlv	158	−3
Colruyt	2,945	+45
Delhaize Frs Lion	6,350	+10
Electrabel	4,745	−30
Electrabel AFV	4,740	+20
Electrafina	6,600	−20
Fabrique Nat	171	−3
GBL AFV 1	3,600	+50
GIB Group AFV	1,300	+14
GBL	3,600	−60
GIB Group	1,228	−28
Gechem	762	+4
Gechem AFV	692	....
Generale Banque	4,975	−25
Gen Banque AFV 1	5,060	+50
Gevaert	7,110	+10
Kredietbank	3,950	−25
Kredietbk AFV	4,005	−45
Pan Holding Lux	12,050	....
Petrofina	10,850	−125
Powerfin	2,800	....
Powerfin AFV	2,720	−20
Royale Belge	4,500	−40

FRANCE (continued)

February 20	Frs.	+ or −
Bouygues	531xd	+3
CGIP	1,064	+4
C M B Packaging	121.40	+0.80
Canal+	853	−2
Cap Gemini S	400	−2.90
Carrefour	3,550	−49
Casino	150	+1.60
Cetelem	604	−4
Chargeurs	766	−9
Ciments Fr	1,169	−27
Club Mediterranee	461.80	−4.20
Cogifi	379	−1
Coparex	583	+3
C C F	167.20	−3.80
Cr Fonc France	1,079	+4
Cred Lyon (CI)	647	−3
Credit Nationale	1,172	+23
Damart	1,935	+46
Docks de France	3,900	−60
Dollfus Mieg Cie	388	+8
EBF	879	−6
Eaux Cie Genl	2,449	−10
Ecco	351	−4
Elf-Aquitaine	287.90	−0.90
Elf-Aquitaine Certs	217	+1
Essilor Int	382.50	−16.50
Etex	1,489	−11
Eurafrance	1,690	−9
Eurocom	794	+14
Euro Disney	110.50	−1.50
Euromarche	3,279	−21
Exor	1,350	−45
Finextel	142.50	+0.50
Fonc Lyonnaise	805	−5
From C et Auv	1,825	....
GTM-Entrepose	376	−1
Gaumont (Soc N)	915	....
Gen Occidentale	694	+4
Geophysique	601	+2
Hachette	198.10	+1.10
Havas	474	....
Imetal	261.50	−5.10
Imm de France	1,010	−20
Immobanque	724	−6
Immob Phenix	140	+1.30
Industrielle	4,020	+10
Interbail	462.50	−2.50
Intertechnique	1,220	....
LVMH	3,661	+11
Lafarge Coppee	375	−1.20
La Henin	518	+6
L'Oreal	518	−6

CANADA

TORONTO

3:00 pm prices February 20

MONTREAL

3:00 pm prices February 20

10400 Macmillan x	$19	18⅞	18⅞	
800 Memotec	$8⅝	8⅝	8⅝	
176200 NatBk Can	u$9⅝	9⅜	9⅜	−⅛
4100 Provigo	$11½	11⅜	11⅜	−⅛
2500 Quebecor A	u$18½	18¼	18⅜	
5400 Videotron	$13⅞	13⅝	13⅝	−⅛

Total Sales 9,852,800 shares

INDICES

NEW YORK

DOW JONES	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2932.18	(c)	2934.65	2877.23	2934.65 (15/2)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.79	(c)	94.86	94.65	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1118.83	(c)	1119.18	1097.85	1127.12 (11/2)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.11	(c)	215.48	214.79	217.62 (11/2)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2956.20 (-) Low 2895.30 (-)

STANDARD AND POOR'S

	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	369.39	(c)	369.06	364.22	369.39 (19/2)	311.49 (9/1)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	436.58	(c)	435.43	429.49	436.58 (19/2)	364.90 (9/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.28	(c)	28.68	28.22	28.80 (13/2)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	201.40	(c)	201.29	198.92	201.40 (19/2)	170.97 (9/1)	201.29 (15/2/91)	4.46 (25/4/42)
Amex Mkt. Value	343.70	(c)	342.73	340.80	343.70 (19/2)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	450.32	(c)	448.71	444.31	450.32 (19/2)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb. 15	Feb. 8	Feb. 1	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.57	3.70	4.14
	Feb. 13	**Feb. 6**	**Jan. 30**	**year ago (approx.)**
S & P Industrial div. yield	2.91	3.01	3.20	3.09
S & P Indl. P/E ratio	17.89	17.39	16.58	14.23

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Nat Semi	4,674,000	6⅝	...
Phillip Morris	4,469,500	62	+ 3
Hewlt-Pack	2,746,000	45½	+ 5⅛
RJ Nabisco	2,464,500	7⅛	+ ⅛
Boeing	2,400,800	49⅜	+ ⅜
IBM	2,278,100	139½	+ 2⅛
Ford Motor	2,124,800	30⅜	- ⅜
Gen Electric	2,067,500	69⅝	...
Gen Motors	2,012,400	37⅝	+ ⅜
GTE Corp	1,666,800	31⅜	+ ⅛

TRADING ACTIVITY

† Volume Millions	Feb. 19	Feb. 18	Feb. 15
New York	189.900	-	222.370
Amex	9.867	-	15.572
NASDAQ	132.892	-	155.034
Issues Traded	2,036	-	2,030
Rises	779	-	1,186
Falls	857	-	460
Unchanged	400	-	384
New Highs	108	-	102
New Lows	4	-	3

CANADA

TORONTO	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW
Metals & Minerals	3220.08	3224.35	3177.95	3166.28	3224.35 (18/2)	2632.06 (9/1)
Composite	3530.94	3532.54	3506.55	3492.25	3532.54 (18/2)	3161.95 (15/1)
MONTREAL Portfolio	1877.99	1882.70	1867.39	1864.26	1882.70 (18/2)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 20	Feb. 19	Feb. 18	Feb. 15	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1372.2	1398.7	1399.3	1376.6	1399.3 (18/2)	1204.5 (16/1)
All Mining (1/1/80)	595.6	609.7	607.5	600.1	609.7 (19/2)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	495.40	501.52	490.16	479.83	501.52 (19/2)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5534.78	5563.58	5406.21	5320.18	5563.58 (19/2)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	345.08	346.78	341.69	335.95	346.78 (19/2)	302.26 (8/1)
FINLAND						
Unitas General (1975)	384.9	384.0	381.7	378.4	387.9 (2/1)	348.4 (9/1)
FRANCE						
CAC General (31/12/82)	448.29	451.55	444.80	440.34	451.55 (19/2)	394.88 (15/1)
CAC 40 (31/12/87)	1693.07	1700.93	1694.96	1670.39	1700.93 (19/2)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	663.00	671.26	658.84	638.99	671.26 (19/2)	570.48 (15/1)
Commerzbank (1/12/53)	1888.80	1912.5	1877.7	1818.5	1912.5 (19/2)	1612.5 (15/1)
DAX (30/12/87)	1567.32	1587.13	1572.57	1531.19	1587.13 (19/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3492.16	3467.84	3473.42	(c)	3492.16 (20/2)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1302.99	1303.94	1304.91	1278.42	1304.91 (19/2)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	561.03	570.35	570.38	553.50	570.38 (18/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26198.79	26166.98	26230.01	25343.74	26230.01 (18/2)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1947.43	1957.61	1954.81	1896.04	1957.61 (19/2)	1625.00 (17/1)
2nd Section (4/1/68)	2957.31	2959.20	2935.24	2852.30	2959.20 (19/2)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	562.26	555.34	545.96	(c)	562.26 (20/2)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	243.6	245.7	244.8	242.9	245.7 (19/2)	221.4 (16/1)
CBS All Shr (End 1983)	178.1	179.7	179.0	177.6	179.7 (19/2)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	669.52	675.21	673.86	676.74	680.58 (14/2)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	914.17	894.52	885.10	874.71	914.17 (20/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	380.76	377.05	376.48	(c)	380.76 (20/2)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1024.0‡	1008.0	1026.0	1036.0	1367.0 (14/1)	976.0 (6/2)
JSE Industrial (28/9/78)	3258.0‡	3242.0	3199.0	3178.0	3258.0 (20/2)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	669.91	669.45	674.09	(c)	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	255.13	256.36	256.98	254.08	256.98 (18/2)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1023.9	1010.2	993.7	985.9	1013.9 (20/2)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	686.0	685.8	676.0	686.0 (19/2)	590.4 (14/1)
SBC General (1/4/87)	(u)	581.5	582.2	574.2	581.5 (19/2)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4950.68	5048.48	(c)	(c)	5048.48 (19/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	817.24	823.65	821.21	774.52	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	518.9*	523.8	524.2	517.6	524.2 (18/2)	439.1 (16/1)

**Saturday February 16: Taiwan Weighted Price: (c). Korea Comp Ex. (c).
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 20 February 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Mng	51.1m	718	+58	M'sui OSK Lines	14.5m	614	+2
M'bishi Mtrls	27.6m	868	+6	C Itoh	13.1m	780	-5
M'sui Shpbldg	18.3m	633	-14	Chiyoda Corp	12.6m	2,850	+10
Nippon Steel	16.6m	511	-3	Toyo Kanetsu	11.4m	1,300	+130
Nippon Yusen	14.6m	698	+6	S'tomo Cement	11.3m	826	-5

3:15 pm prices February 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	9¼	AAR Corp			7	396	12⅞	12⅛	12½	-⅛
25¼	21⅝	A L Labs A			18	84	22⅞	22⅜	22½	-⅛
52¼	40⅜	AMP Inc	1.44	0.03	18	1555	49½	48¾	49½	
60⅛	44¼	AMR			9	15842	59	58¼	58¼	-⅝
2⅛	1¼	ARX			4	261	1⅝	1½	1½	-⅛
48⅞	41½	ASA x	3.00	0.07	12	420	43⅞	43⅜	43½	
47½	39⅛	Abbott Lab			20	3712	46⅞	46⅛	46¼	-⅝
13	9½	Abitibi Pr			30	32	12⅜	12⅝	12⅝	-⅛
11⅛	10⅜	ACM Gvt In				261	11	10⅞	11	
9½	8¾	ACM GvOpp				141	9⅛	9⅛	9⅛	
9	8¼	ACM Gvt Sp				574	u9	8¾	8⅞	-⅛
10¾	9⅞	ACM Gr Sn x				516	10⅝	10½	10½	-⅛
8⅛	7⅝	ACM Man				283	u8⅛	8	8	-⅛
12½	11⅞	ACM Managd				179	12⅛	12⅛	12⅛	-⅛
7⅛	4¾	Acme Cleve	0.40	0.06	19	67	6⅞	6⅝	6¾	+⅛
6	4⅞	Acme Elect			16	46	5⅛	4⅞	4⅞	-⅛
35¼	22¾	Acuson			26	250	u35⅞	35	35	-¾
16⅞	14¼	Adams Expr x	0.48	0.03	0	58	16½	16¼	16⅜	
20	18⅞	Adobe12Pf				48	19⅝	19½	19⅝	
9¼	7½	Adobe Res			13	332	9	8⅞	9	
26½	18	Ad Micro				68	25¾	25	25¼	-¼
8¼	4⅝	Ad Micro P	3.00	0.38	15	7819	8⅛	7¾	8	+⅛
4⅛	2⅛	Advest Grp			2	89	3⅝	3⅜	3½	-⅛
48⅞	33⅞	Aetna Lf			8	2412	47⅞	47¼	47⅜	-½

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	11⅛	Quantum Ch			22	896	18	17⅝	17¾	-⅛
14¾	10½	QuestVal D				251	u14¼	14	14	-⅛
13⅝	12⅝	QuestVal P x				58	13¼	13⅛	13¼	
37⅞	33¼	Questar x	1.96	0.05	12	149	37⅛	36⅝	36¾	
17½	10	Quick R'ty	0.28	0.02	13	431	16⅞	16½	16⅝	-¼
36⅝	28½	StanleyWk	1.20	0.03	13	893	35¼	34¾	34¾	-1½
24⅞	20¼	Starrett	0.68	0.03	9	136	22⅝	22¼	22⅝	+⅛
9⅞	8¼	State MuU	0.86	0.10		11	u9⅞	9¾	9¾	
3⅝	2⅞	Steego Crp			7	2	3⅛	3⅛	3⅛	
48¾	43	StigSf7 20				10	u47⅞	47	47¼	+½
8⅞	7⅛	SterlgBcrp			8	3	8¾	8¾	8¾	
7⅛	4⅝	SterlgChem			6	636	6¾	6½	6¾	
11¼	7¾	SterlgSwre			11	653	10⅞	10⅝	10½	-½
5	3⅝	Stifel Fin			77	25	4⅝	4⅝	4⅝	-⅛
32	28⅝	Stone&Web	0.80	0.02	64	29	u32⅛	31⅞	32	+¼
16⅞	9	Stone Cont x	0.72	0.04	103	073	16⅛	15¾	16⅛	-⅛
5⅝	3½	Stoneridge			7	8	5	5	5	-⅛
8⅛	6⅞	Storage Eq			6	28	7¼	7½	7⅝	
31	17¾	Storage Te			11	1278	27⅞	26¼	26⅝	-¾
30¼	20½	Stratus			16	1027	30	29⅛	29¾	+½
20⅝	14½	UtdAsset	0.46	0.02	18	694	20½	20⅛	20⅛	-½
16⅛	14⅞	UtdDomRty			35	58	15½	15¼	15⅜	+⅛
8½	6⅛	UtdDomInd	0.25	0.02	612	11	8¼	8¼	8⅛	-⅛
33¾	30	UtdIllumn	2.32	0.07	9	118	u33¾	33¼	33⅜	-⅛
10½	7½	UtdIndust			11	275	u11	10¾	11	+½
18½	15⅞	UtdInvMgmt	0.30	0.02	11	12	17¾	17½	17½	-⅛
11⅞	8⅝	UtdKgdmFnd				51	11	10½	10½	-⅛
12¼	7½	USF&G				71843	11⅝	10⅝	10⅞	-⅜
36⅛	26¾	USLIFE Crp x			8	38	34⅞	34⅜	34½	-¼
13¼	9	UtdStShoe	0.52	0.04	10	902	12⅛	11⅝	11⅝	-⅜
94¼	62½	US Surgcl	0.50	0.01	62	1100	93¾	92¼	93	-¼
40¾	35	US West	2.00	0.05	12	9968	40½	38⅝	38¾	-1⅞
49	43¼	Xerox4.125				3	u49	48¾	48¾	+¼
19⅞	14⅛	Xtra 1.94				108	19¾	19½	19½	-¼
21¾	14¼	Xtra Corp	0.72	0.03	11	80	u22	21½	21⅞	+⅝
7¾	6⅛	ZenithElec			8	739	7½	6⅞	7⅛	-¼
15⅝	12	Zenith Nat	1.00	0.06	32	173	u15⅝	15½	15½	
5	4½	Zenix Inc	0.28	0.06		23	u5	4⅞	5	+⅛
13⅛	10⅞	Zero Corp	0.72	0.05	13	152	u13⅛	13	13⅛	+⅛
41⅜	29½	Zurn Ind	0.88	0.02	15	205	38¾	37⅞	37⅞	-⅛
12¼	10¼	Zweig Fund				209	u12¼	12⅛	12⅛	-⅛
9¾	8½	Zweig Totl				716	u9¾	9⅝	9¾	+⅛
[illegible]										

Price data supplied by Telekurs

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet Hl&P		8	z100	6⅞	6⅞	6¾	-⅛
Phil LD		5	57	13¾	13¾	13¾	-⅛
Pittway A		10	4	u23½	23¾	23¾	
Ply-Gem x	0.12	12	53	7¼	7	7⅛	
PresidioA		3	27	5	5	5	
Price Com		0	634	½	⅜	½	-⅛
Pro Med		11	15	5¾	5¾	5¾	-⅛
Prof Care		5	35	5⅝	5½	5½	-⅛
[illegible]							

NASDAQ NATIONAL MARKET

3:00 pm prices February 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

FINANCIAL TIMES Thursday February 21 1991

AMERICA

Interest rate fears spark sustained morning sell-off

Wall Street

FEARS that the Fed will postpone a further cut in interest rates because of inflationary concerns sparked a sustained sell-off yesterday morning, *writes Patrick Harverson in New York.*

By 1.30pm the Dow Jones Industrial Average was 28.96 lower at 2,903.22. Other leading indices also fell: the Standard & Poor's 500 was down 3.82 at 365.57 at 1pm, while the Nasdaq composite of secondary stocks was down 2.99 at 447.33. Big Board turnover was 120m shares by 1pm, with declines outnumbering advances by over two to one.

The sharp losses at the opening followed a larger than expected rise in January consumer prices, of 0.4 per cent on the month, and 0.8 per cent *excluding food and energy* prices. Comments by Mr Alan Greenspan, the Fed chairman, were taken as a warning that interest rates would not be cut if inflation crept back into the system.

Market analysts, however, were not alarmed by the fall in share prices. Since the 400-point gain since the Gulf war started on January 16, analysts have expected a degree of correction, and yesterday's inflation figures provided the perfect excuse for profit-taking.

Special situations and earnings prospects featured. Square D, the electrical equipment manufacturer, soared $21 to $72¾ on turnover of 2.2m shares after the company received an unsolicited $78-a-share offer from Schneider of France.

Hewlett-Packard climbed $1⅞ to $46¼ on turnover of 2m shares, and Honeywell advanced $1½ to $56. Both companies reported earnings data on Tuesday which exceeded market expectations.

Time-Warner was unchanged at $109¾ in busy trading after the entertainment group announced a fourth quarter loss, but better than predicted underlying earnings.

Limited, the niche clothing retailer which performed well on Tuesday following good results, fell back after a block *of 5.3m shares, 1.5 per cent of* the company, was sold. By early afternoon Limited was down $¾ at $23⅝ on turnover of 6.9m shares.

The ADRs of Glaxo, the UK pharmaceutical company, fell $1¼ to $36½ after a downgrade from UBS Phillips and Drew, the London-based brokers.

Among over-the-counter stocks System Software plunged $7 to $22¼ on turnover of 3.2m shares. Wall Street analysts had slashed their earnings estimates after disappointing first quarter earnings and a profits warning for the second quarter.

Cytogen rose $1⅝ to $14⅛ as investors responded to a broker's buy recommendation. Zeos International climbed $⅛ to $23 after reporting an increase in fourth quarter net income from 17 cents a share in 1989 to 40 cents a share in 1990.

Canada

OPENING LOSSES in Toronto were trimmed by midsession yesterday, but caution about the Gulf war kept the market under pressure.

The composite index fell 16.9 to 3,514.0. Declines led advances by 248 to 215 on volume of 13m shares. The market had risen 9.6 per cent during the previous 15 sessions.

John Labatt jumped C$1⅜ to C$25½ on volume of 63,000 shares on rumours of a takeover bid by Philip Morris. Speculation that Anheuser-Busch was planning a takeover had been in the market for several months, according to dealers. Brascan, which has a 40 per cent interest in Labatt, firmed C$1⅛ to C$19⅝. Placer Dome was flat at C$17¼ after reporting a fourth quarter loss of four cents per share after a profit of 15 cents.

EUROPE

Profit-taking sets subdued continental tone

PROFIT-TAKING was widespread across the Continent yesterday after the recent gains. Individual stocks set the tone on some bourses, with Astra propelling Stockholm to a 1991 high while a 12.6 per cent drop in Hoogovens pulled Amsterdam down, *writes Our Markets Staff.*

AMSTERDAM ended sharply lower as Hoogovens dropped 12.6 per cent. The company announced that it would have to cut steel rolling production by 10 to 15 per cent because of a drop in demand. The shares were briefly suspended before the news and then dropped Fl 6.60 to Fl 45.60. The CBS tendency index closed 1.7 lower at 86.7.

Royal Dutch was 30 cents firmer at Fl 133.70 after reporting a 12 per cent rise in fourth quarter net profits to $1.14bn. Trading in Royal Dutch generated around Fl 121.5m of the day's total Fl 735.2m.

STOCKHOLM reversed early losses to reach a new high for *the year thanks to a rally in* the pharmaceutical company, Astra, which reports its 1990 results on Monday. The market is expecting a profit rise of between 30 and 35 per cent.

The share price was also boosted by research from UBS Phillips and Drew, which estimates that Astra's share of the world peptic ulcer market will grow to 27 per cent in 1995 from 5 per cent in 1990, at the expense of Glaxo of the UK. Astra free B shares closed SKr11 higher at SKr491.

The Affärsvärlden General index added 3.6 to 1,013.9, although volume fell to SKr394m from SKr503m.

FRANKFURT's profit-taking was healthy enough, said Mr Matthias Welticke of Merck Finck in Düsseldorf, but selling was reinforced by weakness on the bond market where the Bundesbank's average bond yield rose by 8 basis points from 8.40 to 8.48 per cent.

Volume fell from DM9.2bn to DM6.5bn. After a drop of 8.26 to 663.00 in the FAZ index at midsession, the DAX closed 19.81, or 1.2 per cent lower at 1,567.32. In the post-bourse, prices moved lower still on balance, reflecting a weak Wall Street.

There was a distinct contrast in the automotive sector where BMW fell DM10.20 to DM469.50 although Daimler gained DM2.20 to DM606.20. Mr Welticke said that BMW had put up a phenomenal performance in the past four four weeks, with the shares up from DM380 to DM485 at one point, and that yesterday's action reflected a conventional switch into the rediscovered Daimler, up from DM550 last Thursday.

ZURICH tumbled in aggressive profit-taking, with volume estimated at below Tuesday's SFr777m as the Crédit Suisse index fell 11.5, or 2.2 per cent to 514.7. Active blue chips included CS Holding, parent of Crédit Suisse, down SFr60 to SFr1,830, and Ciba-Geigy registered, down SFr100 to SFr2,350.

However, the engineering company, Sulzer, rose SFr130 to SFr4,310. There were rumours that the Swiss financier, Mr Werner Rey, may be interested in selling his 30 per cent stake in the company.

PARIS was fairly resilient for the last day of the trading account, and in the face of a lower bond futures market. Profit-taking took the CAC 40 index down 7.86 to 1,693.07 in *turnover of about FFr2.3bn,* after Tuesday's FFr3.5bn.

Schneider, the electrical equipment and construction company, dropped to a day's low of FFr682 on its $1.9bn offer for Square D, a US electrical components maker which is expected to dilute Schneider's 1991 earnings. The stock closed at FFr686, down FFr41 or 5.6 per cent, with 208,375 shares traded. Merlin Gerin, its subsidiary, shed FFr23 or 4.1 per cent to FFr534.

One dealer said that while Schneider's timing was poor in view of market sentiment, a dollar-based acquisition at a time when the US seems poised to move out of recession could prove shrewd in the longer term. There has been speculation about the move for the last month, during which the stock tracked or only slightly underperformed the market.

Rhône-Poulenc certificates gained FFr4.40 to FFr295.40 after the company reported a fall in 1990 profits, but forecast a rise in 1991 operating income.

MILAN profit-taking took the Comit index down 9.32 to 561.03, in volume estimated at below Tuesday's L270bn.

Speculation that Snia would *broaden its chemical accord* with Enichem Augusta pushed both higher in brisk trade. Snia, which is controlled by the Agnelli group, was officially fixed L44 higher at L1,640 and reached L1,655 in the after-market. Enichem Augusta rose to L1,470 after a fix L9 higher at L1,390.

BRUSSELS was led lower by Société Générale de Belgique on profit-taking again. The cash market index eased 28.8 to 5,534.78 in volume of BFr566m. La Générale fell 4.5 per cent or BFr105 to BFr2,220.

MADRID weakened on profit-taking, the general index losing 1.23 to 255.13 in moderate trading of about Pta15bn, after Tuesday's Pta18.8bn. Most utilities moved lower, but Fecsa gained Pta14 to Pta899 on 1.5m shares.

OSLO *slipped* in cautious trading, the all-share index losing 3.29 to 462.36 in volume of NKr220m. Den norske Bank, which reported 1990 losses in line with expectations the previous day, fell NKr1 to NKr91.

ISTANBUL's 75-share index slipped 49.63 to 5,276.60. Trading remained active, although turnover declined to TL215bn from TL265bn. **ATHENS** eased after Tuesday's 9.4 per cent jump, with the general index falling 19.19 to 1,202.20. Insurance stocks continued to rise, however, with the sectoral index gaining 5.1 per cent.

ASIA PACIFIC

Nikkei fluctuates to finish modestly higher

Tokyo

SHARE prices fluctuated as rumours that the Allied forces had started a ground attack on Kuwait spread through the market during the morning session, *writes Emiko Terazono in Tokyo.*

The Nikkei 225-share average closed with a modest gain of *31.81 at 26,198.79.* The index rose to the day's high of 26,340.32 shortly after the opening on buying interest which followed through from Tuesday, but fell to the day's low of 25,836.06 in the afternoon as investors grew cautious. Traders said the Nikkei was more than 10 per cent higher than its 25-day moving average, and was in danger of overheating.

Volume fell from Tuesday's 1.5bn shares to 900m as foreign investors retreated to the sidelines. Domestic interest was still strong and individual investors were active, but the overall picture showed falls outnumbering gains by 676 to 333, with 152 issues unchanged. The Topix index of all first section stocks lost 10.18 to 1,947.43, and in London the ISE/Nikkei 50 index receded *13.42 to 1,495.31.*

Large-capital issues were again actively traded, some easing on profit-taking. Mitsui Shipbuilding lost Y14 to Y633.

Mining shares were bought as laggards. Traders said investors were running out of cheap stocks to buy, and were focusing on the sector. Nippon Mining, topping the actives list, advanced Y58 to Y718. Mitsubishi Materials rose Y6 to Y868.

High-priced electricals rebounded in the afternoon, after meeting profit-taking on Tuesday. Sony rose Y170 to Y7,150, TDK Y200 to Y5,490 and Pioneer Electronic Y180 to Y5,230.

Some shares moved on fundamentals. Oki Electric Industry dropped Y38 to Y812 on reports of a fall in profits for *the year ending next month,* due to sluggish semiconductor sales and higher interest rates. Komatsu, a leading construction machinery maker, fell Y30 to Y965 on its downward revision of profits growth prospects, due to slower sales.

Toko, a coil and switch manufacturer, climbed Y49 to Y920. Investors were encouraged by brisk sales of its coils for compact video cameras and mobile telephones. The stock has been volatile recently on speculative interest.

Credit Saison, the credit company belonging to the Seibu distribution group, surged Y110 to Y2,330 on hopes of a 10 per cent scrip issue at the end of March.

In Osaka, the OSE average declined for the first time in 12 trading days, losing 132.15 to 28,847.42 on volume of 107.1m shares.

Nintendo moved ahead Y200 to Y22,700. The company said it *was considering* reducing the trading lot for its stock to 100 shares from the current 1,000 shares to increase the number of its shareholders.

Roundup

PACIFIC RIM markets were mostly lower on profit-taking yesterday after the region's recent strength.

TAIWAN was led lower by the financial sector on news that the Finance Ministry would sell its shareholdings in Hua Nan Commercial Bank, First Commercial Bank and Chang Hwa Commercial Bank before the end of June. The weighted index ended 1.94 per cent or 97.8 lower at 4,950.68. Volume expanded to T$75.97bn from T$44.19bn.

NEW ZEALAND dropped 2.1 per cent in volatile trading. The Barclays index shed 29.23 to 1,356.11 in turnover of NZ$27.13m, boosted by off-floor trades in Fletcher Challenge and Lion Nathan, against NZ$18.24m. Fletcher, the day's most active stock, slipped 6 cents to NZ$3.50.

AUSTRALIA declined 1.9 per cent on profit-taking. The All Ordinaries index closed down 26.5 at 1,372.2 after turnover of A$175m (A$227m).

Pasminco, a lead and zinc producer, dipped 8 cents to *A$1.20 on its expectations of a* significant loss for the full year. Operating profits after tax plunged to A$6.4m in its fiscal first half ended December 31 from A$77.6m because of a substantial fall in zinc prices.

SINGAPORE closed broadly higher in heavy trading. The Straits Times Industrial index climbed 18.10 or 1.3 per cent to 1,397.40. Volume increased to S$325.4m from S$259m.

Hong Kong-listed Jardine Matheson Holdings, which traded in Singapore for the first time yesterday, closed at HK$30.25, against Tuesday's Hong Kong close of HK$30.00 but volume was low. In **KUALA LUMPUR**, the composite index rose 6.92 or 1.2 per cent to 562.26, but was off the day's high of 563.93. Turnover grew to 181.7m shares from Tuesday's 153.6m.

SEOUL lost its early gains, leaving the composite index at 669.91, up only 0.46 after slow volume of Won311bn, down from Won359bn.

HONG KONG advanced as early declines were followed by strong afternoon buying. The Hang Seng index gained 24.32 to 3,492.16, but turnover declined to HK$1.42bn from HK$1.65bn.

MANILA moved higher in active trading after a quiet start. The composite index added 19.65 at 914.17, up 2.19 per cent, regaining the 900 level for the first time this year. Turnover swelled to 157.8m pesos from 97.7m.

Political manoeuvres and budget delay lift Bombay

Cement shares have led the rally, on increased demand for building materials, says R.C. Murthy

SIGNS THAT Mr Rajiv Gandhi and his Congress party could be on their way back to power lifted the Bombay Stock Exchange (BSE) 30-share index 10.6 per cent early this week. Yesterday Prime Minister Chandra Shekhar postponed the budget, which had been due on February 28. He had faced pressure from the Congress party, which feared that a harsh budget could damage its prospects in forthcoming state elections.

Mr Gandhi's party is flexing its muscles and trying to influence the policies of the minority administration, which came to power three months ago. The party has threatened to withdraw its support – first on the issue of refuelling facilities for US military aircraft, which has been resolved, and second on the formulation of a deflationary budget for next year, which could now be postponed for a couple of months.

The market appears to have discounted a long Gulf conflict. It has yet to assess the effect of any political manoeuvres.

Worries about an economic downturn pushed share values sharply lower in early October last year, following a 25 per cent increase in petroleum product prices because of the Gulf crisis. Before then, the market had been one of the few in the world to enjoy an unbroken rally following the Iraqi invasion of Kuwait in August.

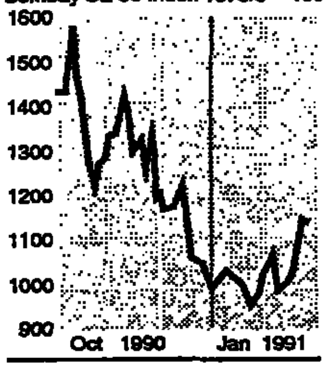
Indian stock markets have steadied this month, boosted by a rally in cement shares, which had fallen in January on fears that the government would introduce price controls. A rise in local demand for cement, and expectations that the Gulf states will be a big market for Indian building materials companies when it comes to reconstruction, have boosted prospects for the industry – which is also the least vulnerable to the foreign exchange crunch currently gripping the country.

Shares in ACC, the largest cement producer, have risen 40 per cent to Rs1,820, from a low of Rs1,300 on January 25.

Gujarat Ambuja Cement, a medium-sized producer, has risen 28 per cent to stand at Rs120 yesterday from a low of Rs93.75 on January 7, while India Cements, the Madras-based company which returned to the black two years ago, has gained 49 per cent to Rs120.50 over the same period. Even the laggards are looking up: Modi Cement, which has a large accumulated loss, was quoted at Rs14.50 yesterday, against Rs10.50 on January 7.

India

Bombay SE 30 Index 1978/9 = 100



In spite of the gains in the cement sector, the BSE index had made only a modest recovery before this week, advancing 8.7 per cent from its six-month low of 956.1 on January 25. Including this week's gains, however, the market has extended that rise to 20 per cent. The index slipped 1.56 yesterday to 1,148.33.

Investors have not recovered from the shock of a 40 per cent erosion in share values in the last quarter, when the index plunged from the peak of just over 1,600 on October 9. The fall triggered a payments crisis on the BSE, where the fortnightly settlement of transactions was delayed for two months, resulting in the bankruptcy of five brokerages.

In mid-January trading was suspended for nearly two weeks, prompted by the need to moderate the disruptive effect of the Gulf crisis. But most market watchers saw this as a tactical move to give time to brokers who were finding it difficult to meet their settlement obligations.

The individual investor has deserted the secondary market and is concentrating on new issues. The Rs1bn ($53m) share issue to privatise the state-owned Industrial Credit and Investment Corporation of India evoked overwhelming response last week.

Earlier, Nagarjuna Fertilisers and Chemicals mobilised Rs400m from farmers in equity, surprising the underwriters, who had feared that they would be left with two thirds of the Rs800m equity flotation on their hands.

One recent bullish factor has been the resignation of Mr D.N. Ghosh from the government-appointed chairmanship of Larsen and Toubro (L & T), the leading engineering company. This has paved the way for the return as chairman of Mr Dhirubhai Ambani, head of the Reliance Industries group, who has close contacts with Mr Gandhi's Congress party.

The market believes that L & T's share price will be closely linked to the fortunes of Mr Ambani. It is, therefore, expected to react favourably to the exit of Mr Ghosh. On Tuesday, it rose Rs16.25 or 16.3 per cent to Rs116.25.

SOUTH AFRICA

JOHANNESBURG rose in thin trading yesterday, the all-share index adding 23 to 2,815. The all-gold index climbed 16 to 1,024. Allied Group, the subject of a takeover bid, recovered from a fall to R2.65, closing steady at R2.80.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 19 1991								MONDAY FEBRUARY 18 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	133.14	+0.0	101.12	110.67	103.31	112.20	+0.1	6.10	133.13	100.70	109.74	102.75	112.14	158.31	112.74	144.88
Austria (19)	222.37	+2.8	168.90	184.85	172.55	171.70	+2.8	1.59	216.80	163.99	178.71	167.33	167.05	285.63	167.00	263.23
Belgium (60)	150.99	+1.5	114.68	125.50	117.16	113.94	+1.6	5.17	148.82	112.57	122.66	114.85	112.12	160.02	121.73	139.11
Canada (116)	139.95	−0.3	106.29	116.32	108.58	116.94	−0.2	3.43	140.38	106.18	115.70	108.33	117.15	153.61	121.24	138.76
Denmark (32)	270.58	+1.3	205.50	224.91	209.94	210.77	+1.7	1.40	267.09	202.03	220.16	206.13	207.24	277.62	217.74	249.38
Finland (21)	111.90	+0.1	84.99	93.02	86.83	84.76	+0.5	3.32	111.83	84.59	92.19	86.31	84.36	152.29	90.61	149.87
France (113)	146.58	−0.1	111.33	121.84	113.73	116.86	+0.5	3.54	146.75	111.01	120.96	113.25	116.31	168.85	121.85	144.73
Germany (88)	125.35	+1.5	95.20	104.20	97.26	97.26	+2.1	2.34	123.44	93.37	101.76	95.27	95.27	144.63	101.38	128.75
Hong Kong (48)	141.22	−0.4	107.26	117.39	109.58	141.29	−0.4	4.75	141.74	107.22	116.83	109.40	141.81	147.49	112.24	122.00
Ireland (16)	164.65	−0.8	125.06	136.87	127.76	129.86	−0.4	3.52	166.03	125.58	136.85	128.14	130.44	198.57	132.88	188.35
Italy (91)	87.53	−0.7	66.48	72.75	67.91	73.18	−0.2	3.45	88.19	66.71	72.69	68.06	73.34	109.26	72.05	95.79
Japan (453)	145.91	−0.7	110.82	121.28	113.23	121.28	+0.1	0.71	146.97	111.17	121.14	113.44	121.14	197.26	106.58	180.43
Malaysia (34)	229.48	+0.5	174.30	190.75	178.06	238.26	+0.6	3.17	228.33	172.71	188.20	176.21	236.77	250.89	182.96	245.32
Mexico (12)	603.30	+0.9	458.21	501.48	468.13	1961.03	+0.9	0.35	598.17	452.47	493.06	461.66	1944.38	613.96	324.53	375.00
Netherland (41)	144.04	−0.2	109.40	119.73	111.77	110.58	+0.4	4.86	144.27	109.13	118.91	111.35	110.13	149.03	125.70	135.78
New Zealand (15)	50.62	−1.5	38.45	42.08	39.28	44.36	−1.4	7.66	51.38	38.86	42.35	39.65	45.01	75.36	41.18	66.38
Norway (30)	*210.83*	*+0.1*	*160.13*	*175.25*	*163.59*	*166.76*	*+0.5*	*1.67*	*210.59*	*159.29*	*173.59*	*162.53*	*165.85*	*276.79*	*182.24*	*237.42*
Singapore (25)	191.34	−0.2	145.32	159.05	148.46	151.57	+0.2	2.74	191.62	144.95	157.95	147.89	151.31	209.24	147.24	197.62
South Africa (60)	198.59	+1.4	150.83	165.07	154.09	138.91	+1.4	3.92	195.91	148.19	161.48	151.20	137.04	251.39	151.60	216.05
Spain (41)	165.19	−0.6	125.47	137.32	128.18	116.26	−0.3	4.88	166.26	125.76	137.05	128.32	116.57	182.25	128.54	153.51
Sweden (27)	185.40	+0.8	140.81	154.11	143.86	152.74	+1.1	2.68	183.95	139.14	151.63	141.97	151.00	234.93	146.60	179.23
Switzerland (65)	99.74	−0.9	75.75	82.91	77.40	79.15	−0.4	2.61	100.67	76.15	82.99	77.71	79.45	109.77	82.17	96.70
United Kingdom (296)	181.19	−0.7	137.61	150.59	140.58	137.61	−0.3	5.10	182.40	137.97	150.33	140.76	137.97	182.40	139.87	158.01
USA (526)	149.55	+0.1	113.59	124.32	116.05	149.55	+0.1	3.30	149.35	112.97	123.12	115.28	149.35	149.55	119.06	132.78
Europe (940)	149.13	−0.1	113.27	123.96	115.72	114.83	+0.4	4.07	149.28	112.92	123.05	115.22	114.41	157.65	124.91	140.87
Nordic (110)	191.44	+0.9	145.40	159.13	148.55	147.29	+1.3	2.03	189.75	143.53	156.41	146.44	145.42	223.29	155.55	188.57
Pacific Basin (650)	144.93	−0.7	110.07	120.47	112.46	121.27	+0.1	1.04	145.92	110.38	120.28	112.62	121.15	192.75	107.82	176.90
Euro – Pacific (1590)	147.01	−0.4	111.66	122.19	114.07	119.39	+0.2	2.30	147.66	111.69	121.71	113.96	119.14	174.18	116.03	162.70
North America (642)	148.87	+0.1	113.07	123.76	115.53	147.38	+0.1	3.30	148.71	112.49	122.59	114.79	147.21	148.87	119.26	133.04
Europe Ex. UK (644)	129.34	+0.3	98.24	107.54	100.38	101.41	+0.8	3.31	128.93	97.53	106.30	99.53	100.58	145.62	106.85	129.15
Pacific Ex. Japan (197)	*132.54*	*−0.2*	*100.66*	*110.18*	*102.85*	*116.90*	*−0.1*	*5.28*	*132.77*	*100.43*	*109.45*	*102.48*	*117.05*	*146.72*	*111.40*	*134.37*
World Ex. US (1778)	147.55	−0.4	112.06	122.65	114.49	119.98	+0.2	2.35	148.16	112.07	122.13	114.35	119.73	173.77	117.12	162.51
World Ex. UK (2008)	143.75	−0.2	109.18	119.49	111.55	128.40	+0.2	2.38	143.99	108.92	118.70	111.14	128.09	162.00	115.37	150.21
World Ex. So. Af. (2244)	146.76	−0.2	111.46	122.00	113.88	129.22	+0.2	2.67	147.10	111.27	121.27	113.54	128.99	161.84	118.04	150.49
World Ex. Japan (1851)	149.12	+0.0	113.26	123.97	115.73	133.41	+0.2	3.68	149.08	112.76	122.89	115.07	133.12	151.59	124.31	137.16
The World Index (2304)	147.07	−0.2	111.70	122.25	114.12	129.29	+0.2	2.68	147.40	111.49	121.50	113.77	129.05	162.05	118.33	150.89

Latest prices were unavailable for this edition.

BUSINESS LAW

Question mark over swaps

By Derek Wheatley QC

THERE HAS now been time to digest the effect of the House of Lords judgment in the Hammersmith and Fulham swaps case delivered on January 24.

Hammersmith and Fulham council had become involved in heavy dealing in "swap" transactions with several banks. At first it did well, and encouraged, invested more heavily. When the council realised that other transactions were likely to show heavy losses it invested still more and and continued to lose, until it faced a potential loss of £500m.

At this stage the District Auditor, Mr Hazell, stepped in and raised a query. Was the council entitled to deal in this market at all? He suspected it was not. It was not long before the council realised that it would be to its advantage if the District Auditor was right because it might then have no need to pay up.

The real contestants in the case which followed were the parties to the swaps deals – the council and several banks with which it had dealt.

The House of Lords unanimously reversed the decision of the Court of Appeal which had itself, with equal unanimity, reversed the decision of the High Court on the main point.

Was it *ultra vires* (outside its powers) for a local authority to deal in the sophisticated swaps market when such dealing can be likened to gambling?

The Divisional Court had held in November 1989 that all such dealings by a local authority were illegal since it was outside its powers. The Court of Appeal said that this was not so in every case and legality depended on the object of the council official at the time of the deal.

If the object was money management, the deal was in order since this was a proper function of a local authority. If the object was to make a profit it was *ultra vires* since making a profit in the financial markets is not a permissible council function.

The Court of Appeal's decision was hailed as a triumph for common sense; but is *common sense the law? In this case* the House of Lords rejected emphatically the Court of Appeal's decision and reinstated the decision of the Divisional Court. No swap dealing was within the powers of the council.

It had taken the law more than 14 months to reach this conclusion, not counting the time it took for the case to come to court at the beginning. No less than 10 senior judges were involved and each appellate court disagreed with, and reversed, the decision of the previous court which had included, in each case, some of Britain's most distinguished judges.

It was Mr Bumble in Oliver Twist who said, "If the law says that sir, the law is an ass – an idiot." What would Mr Bumble have said about the Hammersmith and Fulham case?

One has to remember that the dealers in this market may have only a few minutes to decide whether or not to accept a bargain. It is usually offered to them by an intermediary, a money broker. The dealer may not know the identity of the other party. In any event he will have little time to ponder on the powers of an apparently respectable council professing to have contractual capacity to enter into the bargain. He may have no time to take legal advice, and, if he did so, one is left to wonder how correct it would have been in view of the differing views of the judiciary itself.

It was Mr Bumble in Oliver Twist who said, "If the law says that sir, the law is an ass — an idiot." What would Mr Bumble have said about the Hammersmith and Fulham case?

To understand the case it is necessary to know what a swap transaction is. In its simplest form it is a deal between a customer, who agrees to pay a bank a fixed rate of interest periodically to a given maturity date, in exchange for receipt of a floating rate on the same sum over the same period.

The floating rate is usually Libor, the London Inter-Bank Offer Rate, which varies daily and is influenced by economic and political factors. If Libor goes up the customer will do well, but if it drops he will do *badly and the bank will gain.*

So is it all a question of "taking a view" – or taking a chance? Perhaps it is not so very different from trying to decide which horse is going to win the 3.30 – but is it also not at all different from some investments on the stock exchange – or from some established forms of insurance.

The Law Lords said that a swap transaction "... is more akin to gambling than insurance". But if this is correct, it would surely apply to every swap transaction, and not just those involving a council.

We all know that gaming contracts are unenforceable. But does it end there or can an element of chance in any commercial bargain be said to make it a gamble so that the loser does not have to pay?

There is an element of chance in many commercial deals which could not possibly, at least before the Hammersmith and Fulham case, have been categorised as gambling. After all, the experts claim a good deal of skill in their ability to forecast the future trends in interest rates. If this is "akin to gambling", what of the proud parent-to-be who "insures against twins" in the early stages of his wife's pregnancy?

Since the early 1980s the *swaps market has developed* and prospered. There are intricate variations from the simple back-to-back, or "vanilla" deal, which are seen to provide a comprehensive and valuable method of hedging against changes in interest rates. They are made use of by many of the treasurers of the biggest multinational companies who are far removed from the usual concept of gamblers.

The decision leaves many questions unanswered. In the Court of Appeal it was said "... it might now be hard to find counterparties willing to deal in this market with the Hammersmith and Fulham Council or, perhaps, with any other local authority."

After the House of Lords' decision there must be a question mark over the whole of this and, perhaps, some other markets. Yet dealing goes on. Often, foreign banks are involved and they now feel, understandably, confused and lack confidence in dealing in London, when they can deal with full confidence elsewhere.

None of this helps to maintain London's position as the leading financial capital of Europe which the City is trying so hard to maintain.

The Law Lords could not decide about the thousands of transactions negotiated between banks and many other local authorities since 1980. In most of the cases, unlike the Hammersmith and Fulham case, the banks have been the losers. Can they now recover their money from the councils who had no power to and should not have entered into the transactions in the first place?

Money paid under a mistake of fact is usually recoverable but money paid under mistake of law is not. The House of Lords did not say which this was and mistakes of both fact and law may have been involved.

The Law Lords were not concerned with the other deals and, even in the case before them, gave little help as to past *transactions. Lord Templeman,* who gave the main speech, said: "It may not follow that as between the council and the banks, payments made by the council before or after the interim strategy can be recovered by the council. Nor does it follow that payments received by the council before or after [that] period cannot be recovered by the banks. The consequences of any *ultra vires* transaction may depend on the facts of each case ..."

It seems clear that litigation over the many deals which may now be disputed will go on for years. Unless, that is, Parliament intervenes as rapidly as possible. It could even be that this is a case for retrospective legislation to clear up the entire mess.

Third parties may deal with confidence *with a company* under the Company's Act 1989. Section 35A provides that "... the power of the board of directors to bind the company, or authorise others to do so, shall be free of any limitation under the company's constitution".

All corporations, apart from those which are by their nature charitable or trust bodies, *should be brought into* line. They should all be bound by bona fide transactions with others and prevented from avoiding their obligations when things go wrong.

The author is a member of the Joint Bar Council/Law Society Working Party on Banking Law.